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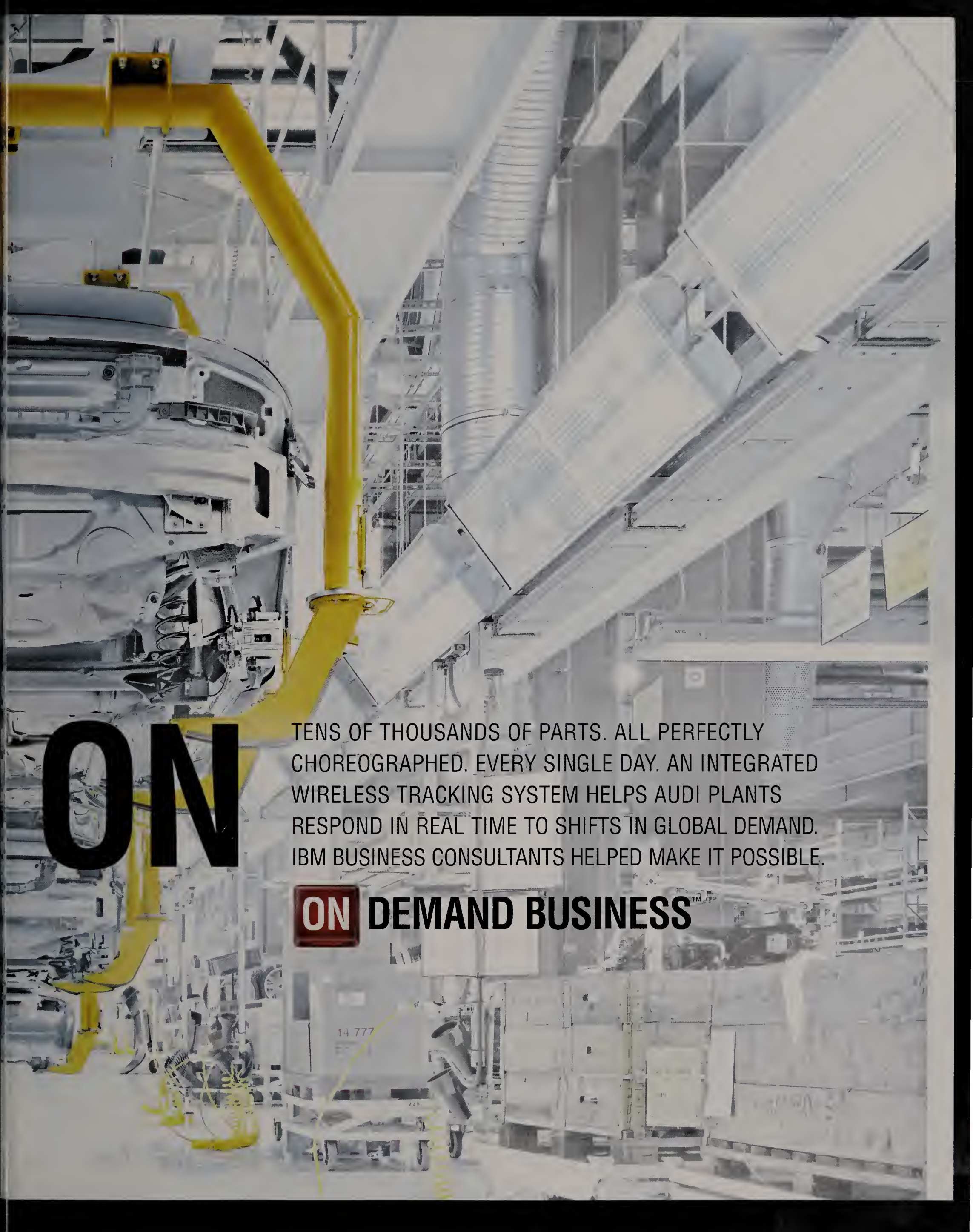
Staples Marketing VP Shira Goodman



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Matt Corey, VP Marketing and eCommerce, The Bombay Company





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Ask Dev Patnaik

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Lingo Lab

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CMO Poll

Vote in our weekly poll, and see where your peers stand on today's marketing issues.
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"It is not only possible to market without being a cynic; it is, in fact, preferable." —Sam Romero, VP of marketing, Winternals

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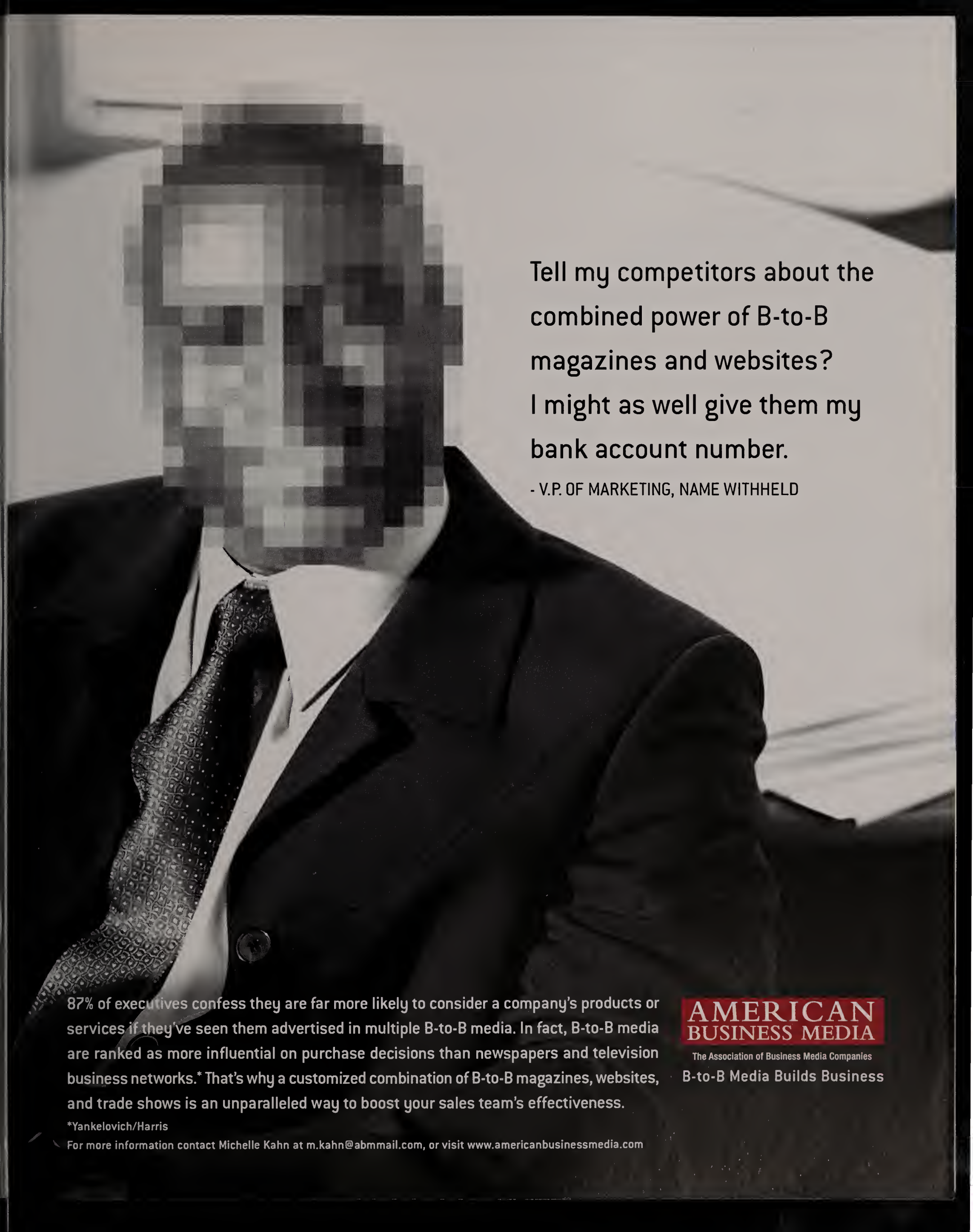
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A black and white photograph of a man in a dark suit, white shirt, and patterned tie. His face is obscured by a large, pixelated, grey square, making him look like a digital avatar or a person whose identity is being withheld. The background is a plain, light-colored wall.

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Escaping the Metrics Pit

Four simple steps for turning subjective arguments into rational discussions—and gaining the CEO's confidence

BY KRISTIN ZHIVAGO

YOUR CEO'S FACE IS TURNING RED. He's looking at right at you. "Why, as I just said, the question is a simple question. Yes, it's a simple question. You, too, would like to know when you're right, right?" Your marketing manager, looking at the CEO, is looking at you with an answer, the wrong answer.

"For work on it," you answer briefly, "I'm just talking about the various methods you're using to track leads through sales, the new Web site program, special 300 numbers and landing pages. But your CEO is not looking at me with that 'too simple, huh?' look. When you're done, he just looks at the sales numbers. 'What I really need is hard data so we can make intelligent decisions, and you can have some before our next meeting.'"

Chances are a reader might think he's tired of hearing their marketing chief tell them how difficult it is to get ROI data. They are right, too. Marketing people, complaining that sales is not cooperating, and that IT says it has more important things to do. They are suspicious that marketers are not approaching the selling process carefully enough (partly because the IT people keep whining about what they feel is marketing's latest news). They don't want to get involved in the details of selecting a Web analytics vendor or a campaign automation package. But they do get involved—gradually—because of their curiosity.

Well, come to the Metrics Pit, one of the most dysfunctional and frustrating areas in the marketing universe. In spite of some best efforts to gather meaningful data, there are days when you feel as if you are at the epicenter of insanity. Doing the same thing over and over yet expecting a different result. The results won't change, however, until your methods evolve. Here are four basic, tested tactics that organizations ranging from 10-person shops to Fortune 500 companies have used successfully to improve their marketing metrics.

Interview your CEO. I don't think you know what your CEO wants. After all, you are not with her every day, so you should be careful not to lose sight of her goals. It's very likely, however, that you're missing the essence of what's driving her (or driving her crazy). During the course of many "What are you really trying to accomplish?" discussions I have had with executives, they've told me that the CEO had never explained before. The problem is, in the day-to-day rush to meet deadlines and make decisions, CEOs say all sorts of things about what's important. And they assume that you know what's most important to them.

To prevent operating under these false assumptions, you must get on your CEO's calendar specifically to discuss the goals of your metrics efforts and the objectives you are both trying to achieve. Tell her before the meeting that you plan to discuss how her goals would be achieved. At the meeting, ask her for her goals, question her about frustrations and

Meaningful Metrics

Two columns from our October issue—"Escaping the Metrics Pit" by Kristin Zhivago and "A New Kind of Marketing Mix" by our anonymous CMO—stirred the emotions of some number-crunching readers. We also rounded up some more comments from our premiere issue in September.

will earn it as well, by looking at the career path of the CFO.

IRENE ROSEY

Director of Marketing

Hawley Troxell Ennis & Hawley

MARKETERS NEED TO TALK the language of CEOs and financial people because it is the language of business.

RICHARD GUHA

Principal

The New England Consulting Group

Changing Channels

IN MY ARENA OF consumer electronics, channel conflict ("Living with Channel Conflict," October) is a topic every day. In the CE arena, there is no forgiveness, as the barriers to being copied and competed with are low. One can be sure here that if you will not do it, someone else will. Thank you for the insight.

ROBERT HEIBLIM

CEO

RH Associates

Pillars of Strength—and Weakness?

WE ARE A CHAIN of 55 neighborhood pizzerias, primarily in the Cincinnati area. So, while the "Pillars" article ("Five Pillars of Wisdom," September) doesn't primarily include a company such as ours in its focus, I thought the article so insightful that I

passed it on to my CEO.

I've sent him hundreds of articles on positioning and branding and "walking the marketing walk" in my time here. But it was "Pillars" that somehow broke through to him. He carries the article in his planner and will pull it out to discuss why it's so important that we align all the company's

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GREAT ARTICLE and very contemporary ("Escaping the Metrics Pit," October). I teach a marketing class at San Jose State University in B2B sales lead management, and the author has confirmed several of the same findings I have researched. One more note: Don't be the person without the metrics.

TOM JUDGE

VP Strategy and Business Development
AGI

I ASK MY MARKETING consultants to engage routinely at the highest level possible within our client organizations. More often than not, they are able to bring data, analysis and insights that were thought to be unattainable. We frequently hear: "You mean we can know that?" It's powerful. And it's coming from marketing. Who'da thunk it?

ANDREW EKLUND

CEO

Ciceron

A VERY LONG TIME AGO, I discovered that the best marketing idea with no numbers behind it does not have a long life. The CFO has a place at the table. And the CMO

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What is MRM?

MARKETING RESOURCE MANAGEMENT was born in the late 1990s when software vendors realized that simply tacking a "campaign" module onto a CRM application wasn't going to work. Marketing had its own unique requirements and, with a demand from CEOs for performance metrics, CMOs started looking for the tools to help maximize the efficiency and return of its campaigns.

Only in the past few years have MRM tools begun to get traction. Until now, most of the MRM tools have been developed by vendors who were not marketing professionals. MRM tools help create and manage digital campaigns and collect data on how they perform. But here, materials are developed, put into place and then monitored. They measure and report on the results of marketing plans via customized "dashboards" for an at-a-glance view of each project that's under way.

CMOs looking at MRM products have several options. They can identify pain points in their marketing organization and find a tool that addresses those specific problems. Or they can look for a comprehensive solution. The first path offers highly tailored solutions for specific problems, but you may need to make some trade-offs in quality and effectiveness.

PeopleSoft, Siebel, Oracle and other big software vendors all have products aimed at the MRM space, but CMOs will want to examine every option, including small players. That means reviewing the IT department's tendency to simply go with what's already in place. "Often IT wants to take control of all the software," says Carter's Kimberly Collins. "They look at what they're already using and say, 'Yes, we can use

the generic tool, too.' If that's the case, it may be time to consider how the software is on your own servers, you can let vendors run the application on their servers, you access from your desktop. It's usually quick to implement these systems and easy to turn them off should they prove to be a capital. You'll still need some interaction with IT to implement and provide links to existing systems. And some IT departments may fight us hard as engineers in complaining that there's a security risk (although other IT folks might be happy to let you run an application if they won't need to support it).

"Marketing's needs have always been low on the IT priority stack, even when it comes to us," says Bill Godfrey, CEO of Aprimo, one of the leading players in the MRM category. Godfrey says 90 percent of Aprimo's implementations are based on

Microsoft. MRM products work best when used by the entire marketing department. Even the best campaign tracking system, for instance, could get bogged down if a single salesperson refuses to give up his faxed forms or five-year-old spreadsheets. That's not to say, however, that there are more exceptions than the rule, says Godfrey, who estimates that only 30 percent of Aprimo customers have the ability to do all of the things that MRM products, instead, he says, most companies

take a "point of entry" approach where some salespeople enter sales or direct marketing figures manually, and the rest build on that success later.

However, it won't matter that you get the entire organization to play along if the product you're going to use in the next few years is leading MRM players have partnered with or acquired other MRM providers to create a complete suite of products. As a result, some smaller players of today may not exist tomorrow, that shouldn't stop CMOs from investigating newer or better companies in the marketing field. Peter D. Voshell, BrandWard and others, says Collins. "The key is making a good solution," she says.

CMO's request a screenshot of the MRM product. E-mail your thoughts about MRM or suggestions for other topics to whatiscrm@cmomagazine.com.



efforts around our "neighborhood pizzeria" positioning.

Please pass along my thanks to Suzanne Lowe for an excellent article.

PETE BUSCANI

LaRosa's Marketing

THE IDEA THAT BRANDING involves "fulfilling an intangible emotional promise," or has anything to do with architecture "evoking an emotional experience," is pure marketese-style pabulum.

The attempt to satisfy some kind of emotional need is one of the most fundamental, inherent experiences in all of life and in many of the moments that make it up. This is surely true in the design and art worlds, and has been since time immemorial. The idea that marketing—rapacious, motivated by fad, driven by data and any number of trendy kinds of self-affirming "metrics" such as "focus groups"—has finally caught on is simply a sad commentary on the times in which we live.

The fact is, [what makes new] brands successful is simple: right product, right market, right time, right place and right price.

GEORGE DELANY

*President, Chief Creative Officer
aaaForay Inc.*

MRM, MRM, Good

WHEN I FOUNDED my company, Marketing Resource Management, in 1983, I had no idea my concept would find traction on a much broader basis. The article "What is MRM?" by Chris Lindquist (September) contains valuable information and supports a component of marketing that is often missing. Well done!

STEVE HINES

*Principal
Marketing Resomrce Management*

I ENJOYED THE MRM STORY, but I'm always amazed how some marketers and software vendors talk about "marketing

departments being a low priority for IT." Marketing departments are much better served when they go to IT with sales or with product development and say: "We need a system that allows us to do A, B and C."

Marketing is usually serving one of the departments within the organization, isn't it? Or are some people doing marketing for marketing's sake?

BOB ZEITLINGER

*Managing Director
B To Z Communications*

The Hits Keep Coming

I'VE BEEN WAITING for a magazine such as this, and you delivered. I think it's a very relevant magazine—one that would be of interest to chief marketers in any industry.

MICHAEL SPROUSE

*Vice President, Marketing & E-Commerce
Playboy.com Inc.*

WHAT A GREAT AND refreshing surprise to see a new publication that actually means something to me as a marketing professional.

WENDY SERAFIN

*Divisional Marketing Manager, Marketing
Planning and Strategy
Metavante Corporation*

CONGRATULATIONS ON your newest venture. I'm delighted to see this important venue.

LEMUEL AMEN

*Staff VP, Corporate Marketing & Sales
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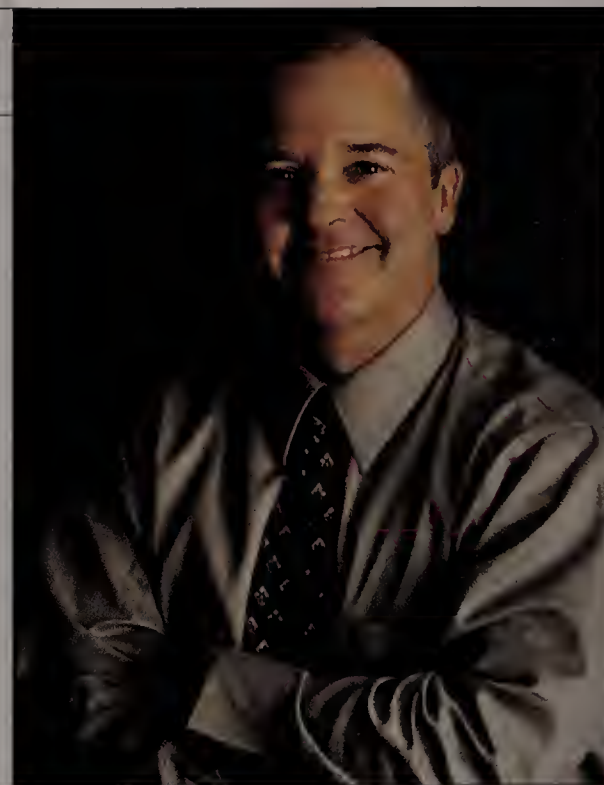
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Innovators and Other Strangers



ATTENDING A RECENT TRAVEL INDUSTRY conference got me thinking about innovation—those who practice it versus those who just talk about it. The Association of Travel Marketing Executives (ATME) event featured a few intriguing panels that brought together marketing chiefs ranging from A (American) to V (Virgin Atlantic) to discuss brand strategy.

In the debt-laden airline industry, incumbent carriers have focused less on brand-building and more on taking the costs out of a bloated business model. The new generation of low-cost carriers has plenty to worry about as well, with commoditization and \$50-a-barrel oil as the primary barriers to a good night's sleep.

In such a highly commoditized industry, where's the innovation? The fresh thinking among the airlines tilts heavily in favor of the budget carriers and other upstarts that, unburdened by the cost structures that weigh down their larger competitors, are using decidedly nonconformist approaches to grab market share.

Consider Virgin Atlantic, which used the new "Go Jet Set, Go!" campaign to reignite its brand. Is it innovative? Extremely. Is it successful? Anytime someone tears out an ad and passes it to a colleague—as my office colleagues gleefully do with Virgin's "safety card" inserts—you've got a winner. Virgin even coined its own customer segment—the jetrosexual—complete with a magazine describing the group's lifestyle.

Consider Delta's Song Airlines, which invested in extensive customer research to pinpoint its target customer—all the way down to gender (female), age (40), marital status (married with two kids), job (sales rep) and residence (Westchester, N.Y.). Song executives used this persona to develop products and services that were both relevant to the customer, and distinct from competitors' offerings. Its goal was to create a set of passionate "Song enthusiasts" who would use Song regularly, and talk up the brand to their friends and colleagues. Ever heard of "US Air enthusiasts?" You get the idea.

While the attackers innovate, however, the incumbents seem to take one step back for every two steps forward. Witness the lack of customer clarity several major carriers showed by imposing a surcharge for tickets purchased over the phone or at the airport. Yes, charging more for agent-based reservations than for website bookings is completely logical. But did anyone think to spin it not as a fee hike, but as a discount for customers who make their reservations online?

Winning this game is not about fee hikes, hub closings and pay-per-meals; it's about innovating in a highly competitive space. New Forrester research shows that brand loyalty among travelers is declining. But at the same time, more travelers say they'll trade up for a better experience. What more do you need to know?

Any company, especially one in the moribund airline industry, can find an excuse not to innovate. A true marketing strategist should never allow that to happen. Innovation, as the pundits will happily tell you, is the key to long-term growth. In the case of the airlines, it's the key to a more basic function: survival.

Do you have an interesting innovation story to tell? We'd like to hear it.

ROB O'REGAN, EDITOR IN CHIEF
roregan@cxo.com

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New Kids on the Blog



When most people think of blogs, they might envision someone presenting a play-by-play account of the recent presidential conventions or a personal diary of the turbulent events in Iraq. But smart marketers are starting to catch on to the promotional potential of blogs.

Blogs—short for “Web logs”—have been around for years. They’re basically do-it-yourself Web newsletters, preformatted websites that let practically anyone start publishing on the Internet in a matter of minutes. Once the exclusive domain of the private sector, blogs are beginning to gain cachet in corporate marketing departments. Professional services firms in particular have begun to embrace blogging as an effective way of promoting their expertise.

Kevin O’Keefe, founder and president of lexBlog, specializes in helping law firms set up their own blogs—a.k.a. “blawgs” (get it?). O’Keefe says blogs have a number of advantages over websites. “The typical website is more static in nature,” he says. “That’s because websites are a lot harder to update. They usually require knowledge of HTML or someone to act as a middleman and do the updating for you. With a blog, you can do it all yourself from your desktop.”

What’s especially cool about blogs is that they are usually ranked higher than other kinds of websites. For example, Google ranks websites based on their relevance, freshness and linkage to other sites. Since a blog is easier to update, and its fresh content attracts repeat visitors who then link their sites to it, the blog

shows up higher in a Google ranking.

That greater ease of discovery is exactly why Rich DeLuca decided to launch a blog for his own law firm. DeLuca is the director of business development at Stark & Stark, which specializes in brain-injury cases. In July of 2004, DeLuca launched the Traumatic Brain Injury blog (www.braininjurylawblog.com), featuring information from Stark & Stark’s partners, resources and daily news updates for people interested in brain-injury legal issues.

O’Keefe helped DeLuca launch the blog and says it’s an important part of the firm’s marketing strategy. “Even when you’re marketing a service business, you still have a brand,” O’Keefe says. “But the only thing you can brand is the expertise of your lawyers. It used to be firms did that through speaking and writing. With a blog, you can get that expertise in front of your target audience immediately.” That helps establish the firm as a leader in the field to other law firms, thereby generating referral business.

A difference between the casual blog and that of a law firm is in the area of interactivity. Most blogs allow readers to post questions and receive responses, but law blogs avoid that practice. Michael van Eckhardt, a partner at Davis Wright Tremaine, who started a telecommunications law blog (www.telecomlawblog.com) for his firm, says allowing for a legal Q&A would be inadvisable. “We can’t offer legal advice that away,” he says. “There’s an important distinction between making content available and offering off-the-cuff legal advice.”

Both van Eckhardt and DeLuca report that the costs of launching and maintaining their firms’ blogs are relatively insignificant. “We’re not paying fees to the search engines or to the Web consultant to find the right keywords and other behind-the-scenes machinations to make sure we show up in searches,” DeLuca says. As for the payoff, he reports that within six weeks of launching the blog, the firm was offered its first referral case from an attorney who had found the firm’s information on the blog, and since then the referrals have continued to come in. “So far, it’s been working better than what we had hoped for,” DeLuca says. “It has really exceeded our expectations.” —Christopher Caggiano

INCOME GROWTH

WHAT A Difference A FEW DECADES MAKES

Only **3.7** %
of U.S. households
earned \$100,000 or
more in 1970.

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that number rose
to **7.3** %.

And by 2000,
14.1 % were
earning that much.

SOURCE: U.S. CENSUS BUREAU

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DID
YOU
HEAR
THAT?

NICHE MARKETING

Oh, Baby!

As most new parents know, getting a decent night of sleep is no walk in the park. Cleaning strained peas and squash out of Baby's clothes: also tricky. Marketers who target said parents, however, know that getting them to spend money on their newborn—that's as easy as taking candy from the proverbial baby. According to "Expenditures on Children by Families," a 2003 study by the U.S. Department of Agriculture, a family with a before-tax average yearly household income of \$54,100 can expect to spend more than \$9,500 on a child in the first two years. That number rises precipitously with income; families with an average household income

of \$102,400 spend more than \$14,000 during the same period.

Where are parents putting these dollars, aside from obvious places such as diapers and day care? Well, it seems you can't take a nap these days without missing the introduction of new, must-have baby products,

which range from the good-

idea-but-not-really-necessary

category (video baby monitors, dia-

per wipe warmers) to the you've-got-to-be-kidding-me category (computer desks for toddlers that—good news—have room for printers and scanners). But perhaps the true measure of where modern parenting is headed reveals itself in the size of the stroller wheels.

It used to be a stroller was something a parent wheeled to the park and back, and if the wheel caught a crack in the driveway, well, that was life. Then came baby "joggers," a new style of stroller that parents could push while running. But one has to wonder how much of their appeal also lies in the way they and other baby products tap into adults' desires to have things ever bigger and better. Baby joggers are now offered in mammoth sizes, engineered to carry their passengers over the roughest terrain. Jeep Liberty makes something called the Urban Terrain. Baby Trend makes the Expedition jogging stroller. Transportation equipment company BOB makes no bones about it, calling its version the Sport Utility Stroller. Manufacturers use terms such as "suspension," "maneuverability" and "quick-wheel release" in the descriptions. To anyone who has recently driven on a national highway, the parallels are painfully clear. Jogging strollers have become the SUVs of the baby world. It's hard to tell what babies are saying to each other as they pass on the street in their giant strollers. But one might guess they're saying how much safer they feel with the big wheels, up high, where they can look down on all the other strollers.

—Meg Mitchell Moore

7.6

The number of babies born every minute in the U.S.

4 million

The average number of babies born each year in the U.S. since 1988

\$178,590

The average per-child expenditure by the time that child reaches 18*

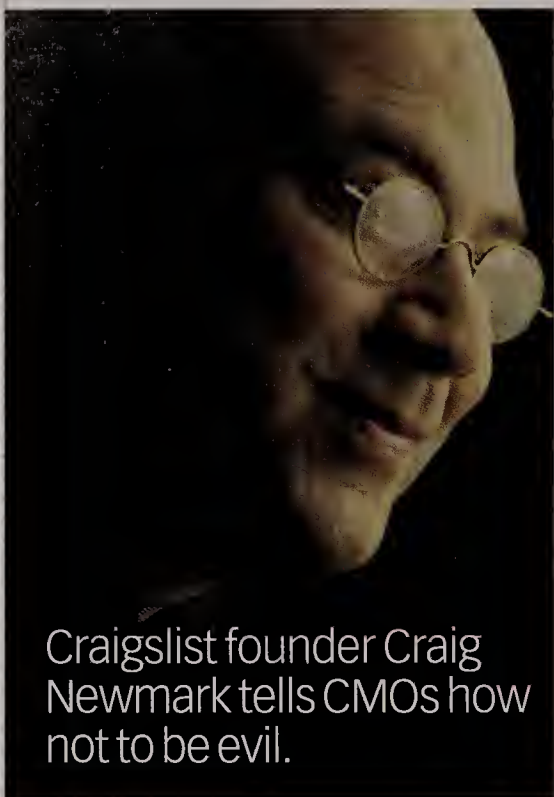
*for parents with an average yearly salary of \$54,100

SOURCES: DEPT. OF AGRICULTURE, ABABY.COM, KIDSTODAYONLINE.COM



CMOism: It's amazing what you learn when you actually talk with your customers. If you listen well enough, they may even tell you how to turn their problems into a product.

WEB COMMUNITIES



Craigslist founder Craig Newmark tells CMOs how not to be evil.

The Tao of Craig

Want a date? Looking for a job? How about unloading that old sofa? If you answered "yes" to any of these questions, you may have already stumbled on Craigslist, the hot Web bulletin board and online community—and one of the fastest-growing properties on the Internet.

Started by San Francisco Bay-area computer engineer Craig Newmark in 1995, Craigslist has morphed from a small-circulation e-mail newsletter into an online institution and "first stop" for Internet users of all stripes who are looking to buy, sell, meet or otherwise communicate. Now serving more than 40 cities and 5 million visitors a month, Craigslist is disarmingly simple, employing a text-and-link design that

screams "1996." But the site is a scrappy survivor of the dotcom bust that decimated many prettier and wealthier startups. And Craigslist has only picked up steam since then as an unpretentious site that does something that people can actually use.

As it has grown, Craigslist has also become something of a media darling, with a flurry of news stories and magazine profiles that extol the geeky wisdom of Newmark and the cult following his site inspires. But while CMOs would salivate over all that free press, they might not like to hear what Newmark has to say about making their own online properties more successful. The 52-year-old programmer's advice? Throw away your marketing plan, relocate your desk to the customer service department, and start taking calls. And when customers complain, Newmark says, for God's sake, listen!

Customer service is Newmark's mantra—and it's his answer to just about every question having to do with Craigslist's success, its mission and his plans for the future. From his site's earliest origins as an e-mail newsletter, he has been obsessive about customer service. "There's no scientific methodology here," he says, "and that's probably a good thing. People try to make decisions by looking at statistics, and most of the time they're fooling themselves. If you provide good customer service on a regular basis, people will notice."

That may strike some as starry-eyed dreaming, but Newmark has been able to turn his obsession into a tidy profit, says Charlene Li, a principal analyst for media and marketing at Forrester. "Craigslist is making somewhere between \$5 million and \$10 million with just 15 employees," she says. "Any marketer would love to have a ratio between revenue and employees like that!"

In the end, though, Newmark's biggest contribution may be the idea that nurturing online communities is not just good for creating buzz; it's also good for the bottom line.

—Paul Roberts

LICENSING

The Kitty that Roared

She may still look young and fluffy, but on the eve of her 30th birthday, Hello Kitty is one powerful cat. This anthropomorphized feline with a red bow over one ear is significant not just because three decades later she still accounts for half of parent company Sanrio's billion-dollar revenue, but also because her success created today's multibillion-dollar, character-branded goods marketing segment.

Back in the early '70s, it was actually difficult to find products with cartoon characters on them. Then, into that vast wasteland of unbranded backpacks, pencil cases and T-shirts came Shintaro Tsuji, president of the Japanese manufacturer Sanrio. Tsuji started

out by selling sandals and noticed that he sold more shoes when they had a character—any character—on them. So he commissioned artists to create characters especially for Sanrio. Strawberry King, Cheery Chums and Button Nose, every one was as forgettable as their names. Until Hello Kitty.

Why Kitty succeeded where so many others have not isn't clear; her success has been the subject of countless case studies, dissertations and even a book by two business journalists, *Hello Kitty: The Remarkable Story of Sanrio and the Billion Dollar Feline Phenomenon*. Perhaps the most impressive thing about Kitty is that she is pure brand.

Sanrio hardly manufactures anything; they just license, license, license. Kitty's image is currently sold in 40 countries on some 20,000 products—everything from purses to phones to refrigerators to (we're not making this up) vibrators. As long as you have the licensing fee and don't want to put the Cute One's image on either alcohol or firearms, you too can use her to sell your product. But don't try to buy her outright; allegedly Sanrio has already turned down a \$5.6 billion offer for her from Microsoft.

—Constantine von Hoffman



SOURCE: HELLO KITTY: THE REMARKABLE STORY OF SANRIO AND THE BILLION DOLLAR FELINE PHENOMENON



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1. MORI Research, Inc. "Power Users 2004" survey for NAA



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MEDIA BUDGETS

Things Are Looking Up

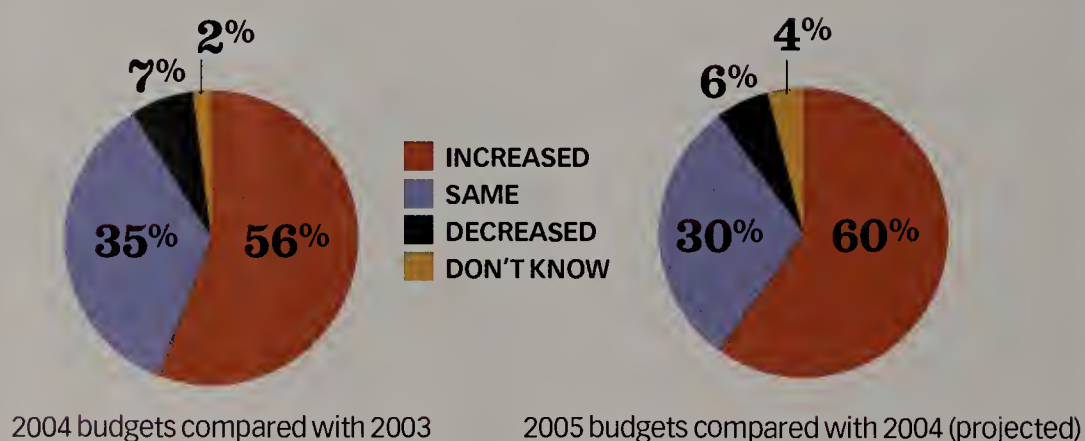
Here's the worst-kept secret of the past five years: Marketing budgets shrank after the Internet bust, and they've been slow to return to prebubble levels. But purse strings are starting to loosen, at least according to a recent survey by Millward Brown North America, a marketing research firm that recently asked nearly 300 senior-level marketing executives about their 2004 and 2005 media spending budgets. Some 56 percent, across a broad range of industries, reported that their 2004 budgets were up over 2003, and 60 percent expected their 2005 budgets to increase as well.

Millward Brown CMO Mary Ann Packo says that, although respondents saw budgets for Internet advertising growing the fastest, they still had a lot of confidence in the effectiveness of TV and magazine ads. "But it was really interesting to see how effective they considered online marketing choices to be, even if they weren't using them yet," she says. That's quite a contrast with how people felt about the Internet after the insane, overhyped era of the dotcoms. Now that the dust has settled, "people are more open to recognizing the effectiveness of Internet advertising," she says.

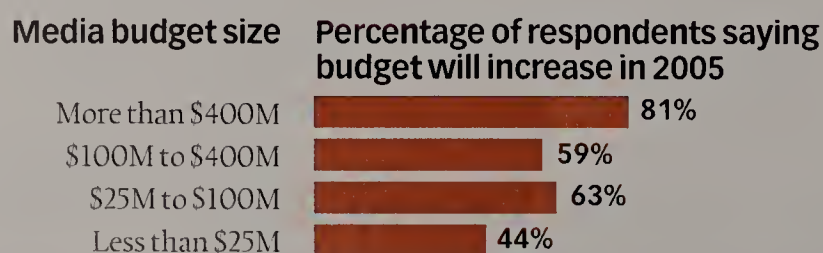
Probably the most remarkable finding was that marketers with the largest budgets were the most optimistic. While 44 percent of companies with media budgets under \$25 million anticipated budget increases in 2005, a whopping 81 percent of companies with budgets greater than \$400 million felt the same. "That's not necessarily intuitive," says Packo. "If anything, the larger marketers tend to be more conservative. I take it as a very strong sign of confidence. If the marketers with the biggest budgets are feeling the most bullish, that can't be anything but a good thing."

—Christopher Caggiano

:: Media spending on the rise...



...but size matters.



SOURCE: MILLWARD BROWN



Q+A

Matt Bowen

Branding guru Matt Bowen believes that, when it comes to customers,

branding begins at home. The most overlooked customers, he says, are under your company's own roof. Bowen, the CEO of Aloft Group, explains why the first customer for any marketing program isn't your target audience; it's the people in your company.

CMO Why is internal marketing so important?

Bowen It's the best competitive advantage I can think of. A company that's "on brand" 24/7 from top to bottom is a very powerful company.

You really need to get everyone in the mix?

Absolutely. I have an expression that your first customer is 20 feet away. Imagine if the folks in accounting felt as passionately about the brand's messaging as the CMO does. Imagine if the guy in shipping on the third shift—who, by the way, has never even met anyone in the marketing department—could rattle off the brand positioning for each of the company's products lines. That's a company I wouldn't want to compete against.

Isn't that a responsibility of the human resources department?

For most companies, it does fall into HR's lap, but it shouldn't be that way. I don't know how this happened, but somewhere along the way two camps emerged: the marketing group, which focused on the outside world, and the human resources department, which focused on the inside world. I love HR folks. But let's face it: They aren't experts in selling ideas.

OK, so HR doesn't fit the bill. Who should manage an internal marketing campaign?

No question, the CMO. A brand strategy should always have at minimum two primary markets: the external segmented market and the employees. A customer defines your brand by his or her total interactive experience with the company. Employees control an awful lot of that experience.



Online Extra >> cmomagazine.com

To read Matt Bowen's full interview, go to www.cmomagazine.com/printlinks.

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Complete This Sentence...

There was a time when contests were the "new" market research

BY LEW MCCREARY

ONCE UPON A TIME IN AMERICA, there were contests. Just about every company under the sun ran some sort of contest asking customers to compose jingles or slogans, or to complete a sentence that usually began in the leading vein, "I like Jimbo's Jumbo Jordan Almonds because...." Despite what

these contests may have appeared to be to their contestants, in reality they were data-gathering initiatives of enormous value to the sponsoring companies and their advertising agencies. In the days long before data mining became even a gleam in a marketer's eye, a company measured the perception of its brand in inputs of 25 words or less.

Life in those not-so-innocent times is chronicled in a book published a few years back, called *The Prize Winner of Defiance, Ohio* (subtitled *How My Mother Raised 10 Kids on 25 Words or Less*), by Terry Ryan. Ryan, the daughter of the title character,

Evelyn Ryan, depicts vividly and with great humor the cunning bargain that existed between contest entrants—some of whom, like Ryan's mother, made entering a full-time job—and the contest sponsors.

It has never been easy to know what the world thinks of you; or, better yet, to verify that what the world thinks of you is more or less in line with what you'd like it to think; or, best of all, to discover that the world thinks something about you that suggests an intriguing opportunity that you maybe ought to pursue.

In Evelyn Ryan's day, every contest entry constituted a comment on the

message that a brand was sending to its target audience. In exchange for prizes whose aggregate value was, at the most, in the low- to mid-five figures, a company got back research and creative marketing genius that was precious beyond reckoning.

My own mother, Peg, dabbled in contests. It was a way of life. Like the Ryans, the McCrearys hailed from Ohio, a hotbed of putative 1950s and '60s normalcy (this was before it became known mainly as a "swing state"). Any company yearning to take the temperature of the times could not find a better sample than the reliably middlebrow sentiments of places like Akron, Sandusky, Cleveland Heights and Defiance. But Mrs. McCreary, who later went on to make her living teaching high school English, was no match for the driven Mrs. Ryan. Evelyn Ryan's gifted copywriting would have been an asset to any agency's creative group, and her prolific winnings (including a brand new car) kept the wolf from her troubled family's door. She entered many contests multiple times (in her own name and her children's), and there were instances when she alone accounted for the overwhelming majority of the finalists—in one case, 10 out of the top 12 entries.

If branding is the promise you make to your customers, the contests of the mid-20th century helped assure that those promises were kept. Even better, they were a good way of learning that a promise was in urgent need of some modification.

But we're in a new era now, right? We have better ways of getting the skinny on brand effectiveness. The metrics are more sophisticated; the so-called touch points more diverse; the myriad inputs subtle, revealing and up-to-the-minute. In such a world you would expect to find companies all terrifyingly good at branding strategy and execution. And yet, they're not. Which suggests that either there's way more to brilliant marketing than a real-time flow of inbound data, or else we need to go back to inputs of 25 words or less from the likes of Evelyn Ryan and Peg McCreary. ●

Editorial Director Lew McCreary can be reached at mccreary@cxo.com.

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Beyond Market Research

Developing breakthrough customer insights requires a departure from the obvious

BY MOHANBIR SAWHNEY

THERE IS NOTHING MORE POWERFUL in marketing than a customer insight. A single insight can transform an entire industry. Starbucks was founded on the premise that coffee is not a product, but an experience to be savored in a "third place" between home and work. Sony created the personal music player business with its Walkman by redefining the relationship between personal and private space. Apple ushered in a similar revolution in digital music by capitalizing on the insight that people want to take all their music with them, unobtrusively.

Although customer insights are valuable, they are hard to come by. Complicating matters, most companies look for insights in the wrong places, using the wrong tools. Conventional market research rarely leads to breakthrough insights. To truly understand customers,

you need to think differently, look in different places and use a different set of lenses. But first, you need to understand the nature of insights.

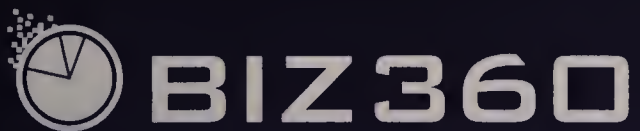
Insights into Customer Insights

Simply stated, a customer insight is a fresh and not-yet-obvious understanding of customers that can become the basis for competitive advantage. A true customer insight has four main characteristics:

It represents an obscure discovery. Wisdom is sometimes defined as a "penetrating view of the obvious." Insights seem eminently logical in hindsight, but they are not so obvious before they are discovered. In some cases, they remain obscure for a period even after they are discovered. Apple's iPod was criticized as overpriced for the highly competitive MP3 player market. Southwest Airlines and Wal-Mart defied conventional logic by refusing to locate their operations in the most highly trafficked airports and neighborhoods, respectively. When looking for insights, don't assume that the obvious is true, or that the truth is obvious.

It provides a unique and fresh perspective. If you want to have different conversations, you must include a range of voices. Insights often emerge from looking at problems from various frames of reference. This is why DuPont engages three types of outsiders in exploring new market opportunities: academic experts (for new frameworks), consultants (for best practices) and industry experts (for industry understanding). Mexican manufacturer Cemex believes that innovation is a collective act that requires input from people with different skills, attitudes and life experiences. It has implemented an "innovation board" that comprises a diverse mix of insiders (three Cemex vice presidents and two young managers) and outsiders (a supplier and a consultant).

It is often rooted in observed anomalies. In uncovering insights, it is important to heed the saying: "Always ask why." Often, an anomaly is a valuable starting point for uncovering insights because it forces you to question and potentially overturn the orthodoxies in a market. When Apple launched the iMac, it asked, "Why should all personal computers be beige?" Enterprise Rent-A-Car questioned why all cars



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connections

are rented at airports, when most people don't live near airports and people don't rent cars only when they fly. When companies race to benchmark and copy one another's strategies, they often end up looking exactly alike. This strategy convergence tends to reinforce industry traditions that make perfect sense to insiders, but create interesting opportunities for outsiders who find that the status quo in the industry is at odds with what should be, or what could be.

It is often based on direct observation. Insights rarely emerge using traditional research techniques like focus groups and surveys. Conventional research techniques work well only when customers know what

for improving your organization's customer insight capabilities:

Rethink the mission of market research. The value of the market research department is not determined by the number of studies it does, but on the business value of the customer and market insights that it produces and the decisions that it influences. A better name for the market research department would be the "customer insights" function, to remind the group of its true mission. Unilever calls its research organization the "consumer and market insight department," reflecting its contribution to the corporate mission to "anticipate the aspirations of our con-

Understand "noncustomers." Most efforts at customer understanding are focused on current customers and currently served markets. To increase the chances of creating breakthrough insights, you need to expand your organization's peripheral vision to customers who don't do business with you, as well as nonusers who don't do business with anybody in the category. As author Clayton Christensen observes in *The Innovator's Solution*, disruptive innovations often compete against category nonconsumption. Southwest Airlines did not compete with other airlines. It competed against railroads and automakers, convincing train riders and car drivers that they could fly cheaply.

Join the conversation. Customer insights often emerge from social conversations that occur on a diverse set of venues on the Web, including Web logs (blogs), discussion groups, virtual communities and advocacy sites. You need to spend time at these "virtual watercoolers" to hear what customers are saying about your company or your industry. You can do this yourself, as Hallmark has done with the Hallmark Idea Exchange, a 1,000-member virtual community that the company mines for ideas and feedback on personal expression. Or you can hire someone to do it for you, as Mazda did by using a Web-based market intelligence tool called BrandPulse, which monitored all conversations related to the Mazda RX-7 to understand what customers wanted in its new RX-8 sports car.

In today's hypercompetitive world, the race for competitive advantage is really a race for customer insights. To win that race, you need to understand the true nature of insights, rethink the role of market research, broaden your lenses, expand your repertoire of tools and improve your organization's peripheral vision. While there is no guarantee that the proverbial apple will fall on your head, you can certainly improve your odds by making sure you are sitting under a tree full of ripe apples. ●

Mohanbir Sawhney is the McCormick Tribune Professor of Technology and the director of the Center for Research in Technology and Innovation at the Kellogg School of Management, Northwestern University. Send comments on this column to cmofeedback@cxo.com.



Customer **insights** are like
a **lightning bolt**—
illuminating, but rare.

they want. But customers are often unaware of, or unable to articulate clearly, what they truly desire. To understand unarticulated and latent customer needs, you cannot listen to what customers say. Instead, you need to observe customers in their natural surroundings. Intuit sent six cross-functional teams to observe accountants at work. The teams found that the accountants struggled to piece together information from a variety of sources to produce quarterly reports for their clients. Intuit used this insight to create the QuickBooks Financial Statement Reporter, which allows accountants to create professional financial reports without exporting, retyping or reformatting data.

Lightning in a Bottle

Customer insights are like a lightning bolt—illuminating, but rare. While you cannot make lightning strike, you can increase your chances of being in a location where lightning is likely to strike. To increase the probability of generating customer insights, you must talk to the right people in the right places using the right set of tools. Here are four tips

sumers," according to Corrine Rosinski, who heads this department. At Eli Lilly, Bill Lawson, the head of global market research, sees his organization's role as "delivering market insights that drive decision making" and not confirmation of what Eli Lilly knows or hypothesizes.

Expand your repertoire. Eclecticism in tools is essential for a deeper understanding of customers. Most market research organizations rely on a small set of conventional techniques such as focus groups, surveys and market testing. To gain a better understanding of unarticulated needs, as the earlier Intuit example demonstrates, market researchers need to expand their research toolkit with techniques borrowed from cultural anthropology, ethnography (see "Context Is King," Page 38), human factors research and clinical psychology. These techniques rely on direct observation, contextual inquiry and interpretation to generate insights. The design firm IDEO uses a 52-card methods deck to remind itself that it should look at a problem in a variety of ways to uncover an insight.

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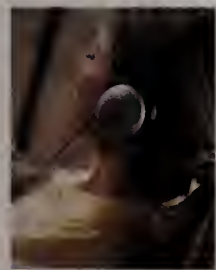
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Michael Persson, senior director of marketing, says he "felt sorry" for consumers who complained about Absolut's ads targeting gays.



Although more and more businesses
are flirting with the gay and lesbian
segment, many continue to keep their
relationships in the closet. Is it time for
advertising to get...

out AND about

By Constantine von Hoffman

LOOKING FOR A GREAT AND LARGELY

untapped consumer segment to help improve your bottom line? Have we got a market for you! Consider this: Conservative estimates place this group at 9 percent of the U.S. population. They tend to have fewer children, which means their disposable income is greater. And, to top it all off, they are far-and-away the most brand-loyal market in the nation.

So why aren't marketers hitting on this group? Well, Mom and Dad, sit down. I have something to tell you. They're gay and lesbian.

Conventionally, most companies prefer to follow, not lead, social norms—which explains, at least in part, why the GLBT (gay, lesbian, bisexual and transgendered) market didn't exist for most until recently. Where other groups are often defined by outwardly noticeable characteristics such as race, age or language, the GLBT community is defined by sexual orientation. It's a segment that society as a whole has long tried to avoid or just plain wish away. Says John Nash, president of the advertising agency Moon City Productions, "We're not so far removed from those silver-buckled people who landed at Plymouth Rock."

While racism and sexism are legally circumscribed in the United States, homophobia is still tolerated by many. That may explain the prevalence of what some call "gay vague" advertising: creatives that speak to gays and lesbians in a covert way. In the business community, fear of a consumer backlash has generated a sort of homophobia for large companies in particular. "Other brands might be afraid of mainstream consumers not liking them supporting the gay community," says Michael Persson, senior director of marketing for Absolut Vodka, a pioneer of marketing to the GLBT segment since the early 1980s when it became the first major corporation to advertise in *The Advocate*, a national gay and lesbian news magazine. "We got a lot of complaints for supporting the gay community, but we felt sorry for those consumers [who complained]," says Persson. "They don't belong to our target group because our target group is open-minded."

"There's some reluctance to reach out to that community," agrees Tim Kincaid, corporate communications manager for American Airlines, which was also an early adopter of targeting the GLBT segment. That reluctance is dwindling. In a time when the U.S. Supreme Court struck down laws in 13 states that criminalized sex between consenting adults of the same sex, parts of Canada legalized gay marriage, the Episcopal church ordained an openly gay bishop and Bravo's *Queer Eye for the Straight Guy* became popular enough to be picked up by NBC, the gay community is hard to ignore.

Wes Combs of Witeck Combs Communications, a mar-

keting communications firm specializing in helping companies reach the GLBT consumer, says, "2003 was a pivotal year for GLBT visibility. The gay and lesbian community has been front and center in almost every aspect of our culture."

It doesn't hurt that the segment's reputation is very upscale. "Some people have enough green to cover up their pink," is how one consumer we talked to put it. Let's face it: When defined by income, spending habits and brand loyalty, gays and lesbians are a marketer's dream.

Consider:

- ◆ Even the most modest estimates put the group between 3.6 percent and 9 percent of the U.S. population.

- ◆ The average yearly income for gay men is \$52,624, and for lesbians, \$42,755, according to Simmons Market Research Bureau.

- ◆ Their purchasing power is estimated to be about \$580 billion—higher per capita than all other segments relative to the size of the populations, says Combs.

- ◆ They are tremendously brand loyal to companies that reach out to them. A 2002 Harris Interactive/Witeck-Combs Communications survey found 75 percent of self-identified GLBT respondents said they prefer to do business with companies committed to diversity. Only 38 percent of heterosexual consumers felt the same way.

- ◆ The GLBT population is also more likely to be tech savvy and early adopters of new products.

- ◆ Because gay and lesbian couples are less likely to have children than

"When we saw that gays were supporting us by buying our product, we did the same with them."

—Michael Persson, Absolut





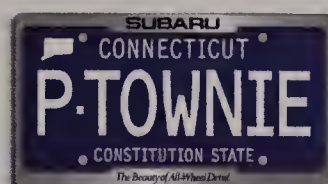
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SUBARU
The Beauty of All-Wheel Drive.

heterosexual couples, they have more disposable income.

Gay Vague

More companies are going after the GLBT segment's business, says Combs. But they appear to be doing it in as covert a way as possible—by using “gay only” channels (so that the heterosexual segment remains unaware) or by using creatives in the mass market that don't explicitly state that they are about gays and lesbians.

“The benefit of doing that is it becomes sly, subtle and more wink-wink,” says Nash, whose company was responsible for the GLBT creatives used by Subaru—a company that, along with Absolut, American Airlines and American Express, was one of the corporate pioneers of marketing to the gay and lesbian community. “It's easier for us to say, We're selling to a consumer group that identifies itself as being gay or lesbian, but there's nothing gay about the car and there's nothing gay about this ad, per se,” he says.

There's certainly no doubting Subaru's “gay friendly” credentials. In addition to more than a decade of advertising in gay and lesbian publications and supporting equal rights organizations, the carmaker also used the openly lesbian tennis legend Martina Navratilova as its spokeswoman in a mass-market TV campaign. However, says Nash, senior management decided early on that none of their GLBT ads would have people in them.

The plus was that these creatives could be used in mass-market channels. One campaign created by Nash's company showed Subarus

Subaru's “gay friendly” ads—with vanity plates that gave a nod to the GLBT community—were subtle enough to run in mass-market channels.

Don't Ask, Don't Tell

WHILE NO ONE ARGUES the potential profitability of the GLBT community, for many companies it is very difficult to track the return they are getting from it.

“That's a difficult one to measure, because it's an audience where we don't ask, they don't tell, generally,” says Tim Kincaid, manager of corporate communications for American Airlines. Indeed, it is difficult to think of a better way to displease a customer than to ask what his or her sexual orientation is. Airlines, however, can assess at least some of the business they reap from this marketing by tracking business from travel agents affiliated with organizations such as the International Gay & Lesbian Travel Agencies or Travel Alternatives Group.

Others are forced to rely on more subjective evidence. “We don't measure sales, and certainly we don't categorize our customers as one demographic or age or another,” says Michael Fluck, advertising and Internet manager of Bridgestone/Firestone, which is so far the only tire company to do GLBT marketing. “So we don't have a specific way to measure the sales to gay and lesbian customers. To the extent that we get feedback from our dealers and directly from consumers, we've had some positive feedback.”

For some companies, such as defense contractor Raytheon, there never will be a way of assessing what the return on this is, says Wes Combs of Witeck Combs Communications. “Raytheon has a very good reputation on GLBT issues, but it would not make sense for Raytheon to sell military or defense services to gay people,” he says. “But there may be gay people who work for the government who might be more inclined to recommend Raytheon because of their reputation on diversity and GLBT, and that may become a factor in the decision process.”

Liquor is probably one of the easiest industries to track this return because bars are such a recognizable part of the GLBT community, says Combs. “Companies can go to an exact location, understand how much was sold at a particular gay bar,” he says. “They can see through their distributor whether their campaigns had an impact.”

—C.V.H.

Segmentation

with vanity plates saying things like XENA-LVR (a reference to "Xena: Warrior Princess," whose main character was a strong woman with a "platonic" relationship with another woman) and P.TOWNIE (a play on the nickname for Provincetown, Mass., long a gay and lesbian mecca). The ads were subtle enough that they ran everywhere. In addition to targeted GLBT publications such as *The Advocate*, *Out* and *GirlFriends*, they could also be seen on billboards, bus sides and publications aimed at a more general audience. "It was so coded that if you showed it to someone who didn't get what the vanity plates or stickers were about, to them it was just a fun idea," says Nash.

For the marketer, "gay vague" advertising achieves two complementary goals: It is able to pass unnoticed among people who might be hostile to gay and lesbian cultural allusions, and it increases the appeal to the targeted audience. "Our focus groups tell us that consumers preferred when it was coded," says Nash. "They liked the fact that not everyone got it, but that it was directed to them and had to be decoded," he says. In other words, if you get the references, you feel like an insider, which adds to the appeal.

Combs argues that gay-themed ads placed mostly in channels aimed at the GLBT community is simply smart marketing. However, he adds, "Gays read a lot of other publications and in higher percentages relative to other segments, so if you're putting an ad in *Vanity Fair* aimed at the gay community, you're still reaching a lot of non-gay people."

An Alternative Ad Style

Not all companies have gone gay vague. Some play up the fact that the GLBT community is different. Kim Sharan, senior vice president and CMO of American Express Financial Advisors, says companies that pretend there isn't a difference actually risk alienating the gay and lesbian market. "We acknowledge that there are differences," she says. "That's something we overtly want to do, because we do serve this market, and we're proud that we do."

"Just like marketing to women is different than marketing to men, marketing to the gay and lesbian community is different than marketing to a married family with five kids," says Sharan.

American Express has developed products specifically for GLBTs—one of the things that makes financial services different from other industries when it comes to this segment. While there's obviously no such thing as a lesbian tire or a gay floor wax, gays and lesbians do have different needs when it comes to financial planning. In no small part that is because their marriages are not recognized in 49 states. If someone who is gay or lesbian wishes to provide benefits, inheritance rights, or other financial considerations for a spouse or child, they face considerably different legal challenges than does a heterosexual couple whose union has been legally recognized.



"Just like marketing to women is different than marketing to men, marketing to the gay and lesbian community is different than marketing to a married family with five kids."

—Kim Sharan, Senior VP and CMO, American Express Financial Advisors

Even when being good corporate citizens, most companies prefer to be cautious, good corporate citizens. Absolut, American Express and Subaru didn't market to the GLBT segment because they felt it was the right thing to do, nor was it because they were impressed by the population's demographics; there was little, if any, research on that when they started doing it. All three started working with this segment because they found out that this population was already using their products.

"There was nobody thinking, Oh, let's embrace the gay culture," says Absolut's Persson. "When we saw that they were supporting us by buying our product, we did the same with them." Instead of figuring out which markets to move into, these companies started doing outreach to people

who were already buying from them. (See "Don't Ask, Don't Tell," Page 29). At many companies—including IBM, Ford and Bridgestone/Firestone, much of the drive to market to this segment came from GLBT groups within the company.

Internal diversity policies were definitely a factor in the decision to do this marketing, says Michael Fluck, advertising and Internet manager for Bridgestone/Firestone. "Our policies have always been diversity-friendly and proactive," says Fluck, who led the effort to get the company to do GLBT marketing. "When you look at the culture that exists within our company, it made it a much easier sell that this would be a natural extension of our marketing efforts."

As companies find that increasing tolerance toward the diversity in their workforce is contributing to their success, they are coming to the same conclusion about their customer base, says American Express's Sharan. "The level that diversity is embedded into this organization is very different than any other company I've worked for," she says. "We are very accepting of many different attitudes, and that's what makes the segmentation approach at American Express something that is

Not Your Average Joe

STEVEN LOCKE ISN'T SURPRISED that more companies are now marketing to the GLBT community; he knows capitalism can bring equality among demographically attractive markets. Or, as he puts it: "Some people have enough green to cover up their pink."

"Gay vague" advertising still is more about tokenism than about actual acceptance, says Locke, a college professor and painter who is gay. He is dismissive of creatives that show same-sex couples who look and behave just like "everyone else." The men are not effeminate or in drag and the women are not tough or "butch." In other words, unlike in the real GLBT community, the media characters follow expected gender roles. Locke knows that effeminate men, men in drag and butch women are part of his community and wants them accepted as such.

He even knows how it should be portrayed: "I'm waiting for the aspirin commercial that takes place in a drag club where someone's coming off stage in full drag and he has a headache. So he gets aspirin. And then he goes out and does the rest of the show. It's just a drag queen with a headache."

Until the day that ad or something like it appears (he isn't holding his breath), Locke admits that he, too, responds well to gay vague advertising. His favorite ad

is "that Volkswagen Beetle commercial with a black guy and a white guy. And they're driving down the street, and they see a Beidermeyer chair, and they pick it up."

Why does he like it? "It's so clear to me that they're gay. It's so remarkably clear to me. That was the first ad that I thought had something to do with me."

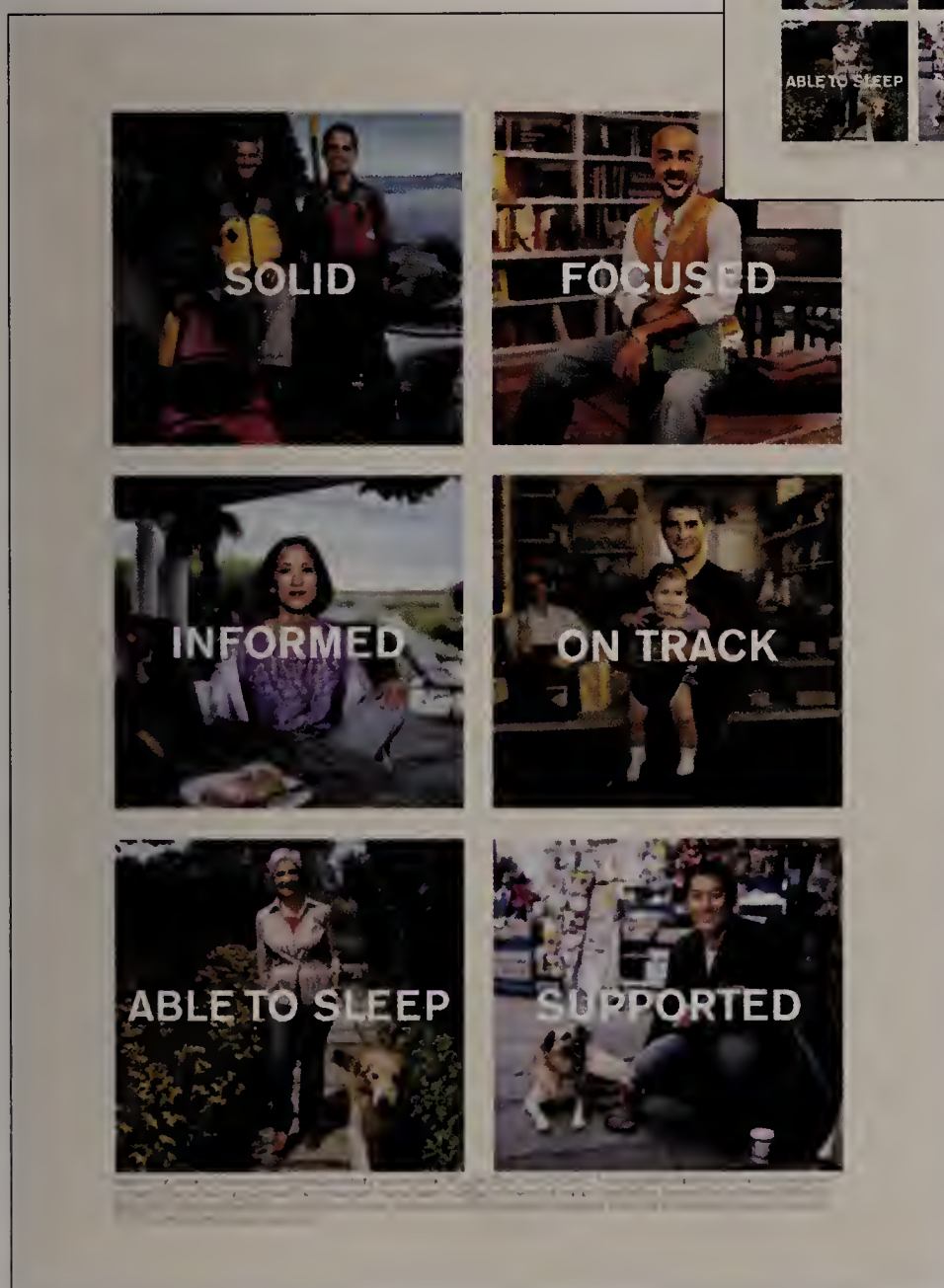
—C.V.H.

more tangible than it may be at other companies."

Something else to keep in mind: This is a market in which companies must have their marketing and HR policies in step with each other. "If you're going to sell to that group, you better be sure your house is in order internally. You can't say, 'We want your gay dollars, from a customer standpoint,' and then have policies inside that are not fair or equitable to the gay employees," says American Airlines' Kincaid. "That's pandering, and any group sees through that pretty quickly."

Ideally, a marketer's job is built on creating and reinforcing a relationship between a customer and a brand, not challenging people's values. But, like it or not, marketing to the GLBT community is a political act—which means it will have fallout. Including this demographic in your public dialogue means you are moving to include them in the mainstream. And not everyone is going to be happy about that, which means you may have to decide which customers you want more.

"It's not as risky as many would think," says Kincaid. "The risk from backlash has decreased considerably. If it's a market that you think you can sell your product to, give it a try." ●



American Express Financial Advisors has openly embraced the GLBT segment by developing products specifically for them.

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Staples' rebranding effort turned into a strategic priority, "a project where marketing partnered with strategy" says Marketing VP Shira Goodman.

easy

does it

Staples did the unimaginable: It asked customers what *they* wanted. The answer became a brand promise that drives the entire organization.

By Constantine von Hoffman

FOR ROUGHLY THE FIRST 14 YEARS of Staples' existence—from 1986 when it pioneered the concept of the office superstore to 2000 when it kicked off a serious strategic reassessment—management followed a formula familiar to any mass-market retailer: Provide a wide range of products at the lowest possible price. Beyond that, however, the company's "Yeah, we've got that" branding scheme focused on having everything in stock—even if it was a one-of-a-kind, left-handed, upside-down, underwater hole-punch in red-not-silver—for the sole customer who wanted it.

But eventually it became clear that low prices and variety weren't going to be enough. By the mid-1990s, the market was filled with plenty of office superstore wannabes. "At one point, we actually had more than 20 imitators," says Vice President of Marketing Shira Goodman. "There was 'Office This' and 'Office That' and 'Office The Other Thing.'"

The market shakeout in the mid-'90s that left Staples with only two major rivals—Office Depot and OfficeMax—also revealed that consumers didn't see much difference between Staples and the competition. "There were some cracks in the pavement," Goodman says. "We'd hear stories from our stores where, when it came time to pay, people would pull out their Office Depot credit card."

For the first time in the company's history, it had negative retail sales comps. Store operating margins were starting to level off and, in some cases, even decline.

To find a way to turn things around, Staples turned to research. Lots of it. It asked customers to list their 10 most important criteria; to management's surprise, price was nowhere to be found. It wasn't that price was insignificant to customers. But thanks to Staples' influence throughout the segment, shoppers had come to assume they were going to get a good price. What they wanted was for stores to stock all the basics. They also wanted courteous and helpful sales associates. And they wanted a faster, less-troublesome experience. In other words, customers wanted stores that didn't just have what they wanted, but had it where it could be found quickly and easily.

"We said, Well surely, you're getting that already," says Goodman. "But customers told us they weren't getting that from anyone. That was the real eye-opener," she says. "I mean, there was just this tremendous open space there where, in some ways, customers' needs were

very simple and basic. And no one was delivering on it for them."

So Staples did what any smart superstore would do: It stopped trying to be all things to all customers and decided to take it "easy."

Being Easy Can Be Hard

To get an idea of how seriously Staples takes its new brand promise—"Staples. That was easy."—you need only look around its Framingham, Mass., headquarters. Once the building's interior was a typical corporate cubicle maze that would have defeated both Theseus and the minotaur. But that was before.

A year and a half after rolling out the new brand promise, the building is overflowing with helpful signage. Maps point to locations at key intersections. Floor numbers are embedded in rugs, and each floor has a distinct color theme.

This is a company that has made "easy" the driving principal not only for its creatives, but for the entire organization as well. From the website to store design to hiring practices, it is an example of how a brand can unite and drive an organization.

The branding has become Staples' strategic priority. "It became a project where marketing partnered with strategy," says Goodman. Which, to be honest, is pretty much what you would expect a CMO to say. But it's a view echoed by outsiders as well. "Theirs isn't just a Dilbertesque mission statement," says Harley Manning, a vice president with Forrester Research. "Clearly, Staples believes it is core to their mission to make it easy to find stuff."

"Easy" has succeeded for a number of reasons, says Manning. First, it wasn't a top-down order, but an idea that was grown organically from within the company as part of a review already under way. It also offered a simple, clear idea

that all parts of the organization could embrace.

"We believe that 'easy' is not about the advertising piece," says Dave Almeda, vice president of human resources, U.S. stores. "It's about bringing 'easy' to life for the customer; it's about the customer experience," he says.

The initiative has also succeeded because of determined efforts to avoid using the "B" word. "When marketing folks use the word *brand*, it alienates the people in other areas," Goodman says. "'Oh, *branding*, that's a marketing thing. That's about colors. That's about logos. Let Shira worry about that.'"

Focusing on the customer's needs sometimes required ignoring what customers said and instead watching what they did, says Bob Madill, vice president for visual merchandising. "We took a look at how customers shopped in our own stores and looked at a lot of other retail environments as well," he says. "That led us to some very unexpected conclusions."

The company found that small-business and home-office owners made up the bulk of sales, not the casual buyer. So Staples refocused its inventory and changed not just what was in the store but the layout of the stores themselves.

Most store layouts follow that of the typical grocery store, which puts the items most often purchased—such as eggs and milk—in the back of the store, forcing customers to pass aisles of other items they may buy more impulsively. With "That was easy" as a driving principle, the superstore did just the opposite. Ink cartridges and paper—the eggs and milk of Staples—were moved to the front of the store so that customers could run in, get what they wanted and leave.

"We've done a significant amount of research in terms of how they make whatever purchase decisions they're making," says Madill. "We do it in a way that isn't necessarily managing their behavior, but supporting their behavior."



Observing how customers shopped in Staples stores and other retail environments "led us to some very unexpected conclusions," says Visual Merchandising VP Bob Madill.

Rebranding

It takes a lot of work to come up with something this simple, and it takes even more work to make sure that simplicity is executed throughout a company that boasts 1,200 stores and 60,000 employees. And Staples' employees is where one key—and frequently overlooked—part of successful branding came into play.

"It became apparent that we needed to get not just the 3,000 or so managers engaged, but we needed to find a way to get the 25,000 or so hourly associates engaged," says Almeda. The human resources department had already come up with a plan to pay hourly employees more based on stores meeting certain sales and profit targets. Under "easy," the program focused on increasing customer satisfaction as tracked through point-of-sale surveys.

In-House Polish

In addition to refining how it gets employees to interact with the public, the rebranding effort refined how the company interacted with its employees. While the company's in-house communication style previously was technically correct and well-written, messages weren't executed with the same kind of wit and polish that marked its advertising and other materials. Today, all that has changed. "There shouldn't be any difference," Almeda says. "The message, if you don't do that, is that you care more about your external advertising than you do about your internal. And how does that bring 'easy' to life?"

Part of the transition required upgrading systems and improving scheduling. That included everything from better and faster registers, increased use of scan technologies, and less and better-focused communication from headquarters to the stores. All in all, less time is spent in an office responding to e-mails, and more time is spent on the floor with the customer.

It also required Staples' management team to learn the company's distribution and staffing methodologies. Staples devotes itself to employee education to ensure that the staff is well-equipped with product knowledge. Even with

something as low-tech as changes in the packaging of paper, employees are briefed on what information is going to be displayed on the package and how they can walk the customer through what's different.

"The majority of this change had to do with culture," says Almeda. "The cultural change was from a typical, almost pure task-focused environment to a differentiating, customer-focused environment."

And anything that increases ease of use is going to show up in your ROI, says Forrester's Manning. He points to the company's website, which has a much higher than average rate of converting shoppers to people who actually buy. "The average conversion rate [for most sites] is down below 3 percent," says Manning. "These guys are bumping into the low double digits."

"People who have poor conversion rates like to explain it away by saying, Well, that's the category," says Manning. "Well, no, it's not the category. These guys didn't start out with those

kind of conversion rates either. They thought long and hard about how people actually buy their products, about who their customers actually are and how they really want to go about it. And they work really hard and use very sophisticated techniques very rigorously to make it easy for people to shop on their site. That's why they have those kinds of conversion rates."

It is never easy to make things easy. Staples has devoted significant chunks of time and money to finding out what its customers want, how to give that to them and how to spread that message of providing for the customer throughout the entire organization. While management will tell you that much has been accomplished, they are also concerned about how to perpetuate the changes they have already started. In the end, they hope it will continue to lead them to "easy" money. ●

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The "easy" initiative helped Staples transform culturally "from a typical, almost pure task-focused environment to a differentiating, customer-focused environment," says HR VP Dave Almeda.

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CONT XT

Companies are studying customer behavior to improve product design and identify new business opportunities. The potential payoffs are huge. What's missing? You.

IS KING

By Lauren Gibbons Paul



ROBYN WATERS WAS ON A MISSION, in search of cool products to help Target jump-start the upcoming back-to-school season. It was the spring of 2001, and Waters, at the time Target's vice president of trend, design and product development, needed a way to sniff out untapped customer needs and serve up ultra-hip products for a wide spectrum of departments. Having helped the \$48 billion discount retailer establish the back-to-school period as its own mini-holiday season, with two years of double-digit sales increases, Waters' team needed a spark to keep the momentum going.

"We needed a strategy for growth. Better colors weren't going to do it," says Waters. She had met Dev Patnaik, a principal with Jump Associates, at a conference in late 2000 and was taken by his unconventional presentation on design strategy. With only a tiny budget to work with, Waters hired Jump to go into the field and discover what desires and fears were lurking in the hearts of incoming college freshmen.

What were these teens worried about? In a word: laundry. "You think of the kid as wanting to have a cool rug, a cool lamp, a cool bedspread. But what was really on their minds was laundry. They were intimidated by it," says Waters.

Waters' team and Jump passed the findings along to Target's merchants, who rallied around the idea of making the first year of college easier for freshmen. "We did a laundry bag that had washing instructions printed on the side. We told them to separate lights and darks. It was very simplistic, but it was [hip] and fun," says Waters. "We didn't talk down to them. The message was, 'Hey, dudes, we're going to make your life a lot easier.'"

The first back-to-school season after the project was a big winner, continuing Target's run of double-digit increases. That's when the corporate marketing group began to take notice.

"Because of our success, marketing started to take a much more instrumental role in driving this. It was like a baton being handed off in a relay race," says Waters. The marketing department brought in the vibrant young designer Todd Oldham to create new products that promised to add the next layer of excitement. Once marketing was involved, Target invested much more heavily in this type of trend research, Waters recalls.

This emerging discipline—known as ethnography, ethnographic market research, business anthropology, social research or usability testing—involves observing and interacting with customers in their natural element in order to make more informed choices about product design or business development. Long the domain of academia and in-house R&D lab rats, ethnography is beginning to play a more prominent role in product design and development at many large companies. For marketing executives well-versed in the costs and benefits of quantitative market research, this new generation

of qualitative analysis demands their attention. Or at least, many proponents argue, it should.

"CMOs are responsible for top-line growth, so they do things like review their agency and redo their logo," says Patnaik. "But if they're smart, they will also plant some long-term [product development] seeds. What are you not working on today that you should be tomorrow? That's your insurance policy against making a bad short-term decision."

To be successful with this emerging type of research, Patnaik argues, you first must throw out any preconceived notions about your customers—what they need, even who they are—and engage them on a far deeper level in their everyday environments.

"We follow [consumers] around for days, and we interview them. We go to their homes. We watch them play games. We find out about their social network," says Patnaik. If it all sounds a bit esoteric, it is. Then again, this type of research could mean the difference between releasing the next iPod and the next Segway.

There are plenty of skeptics who maintain that qualitative research is expensive, time-consuming and frustratingly open-ended. Compounding the challenge, the political jockeying between the product development or research groups (which normally head up this type of project) and the marketing team can be tiresome. And forget about gauging ROI ahead of time. "With any new product or marketing platform, you don't know in advance what the return will be," says Ken Erickson, PhD, principal and founder of Pacific Ethnography.

But for marketers who are willing to put in the extra work to really understand their customers' context, the returns can be significant: increased market share for current products and richer data on which to build and market more successful future products. Long after the ethnographic research is done, "you can keep mining the data and coming up with new product ideas," says Kazuyo Masuda, research manager with Ethnographic Research. Even in a sea of seemingly endless change, the contexts in which customers operate don't shift overnight.

Field of Dreams

Ethnography has its origins, not surprisingly, in anthropology. During the 1970s and 1980s, awareness of ethnography increased as researchers studied issues such as the transmission of AIDS in poor urban communities or tuberculosis treatment compliance in rural areas.

In the late 1990s, businesses got in on the action when Kodak, Microsoft, Whirlpool and others began applying ethnographic principles to the study of consumers. The idea was that no product exists in a vacuum. Observing behavior in context, as opposed to conducting a survey or even a focus group, is a far more effective means of gathering useful feedback, because people often say or believe one thing but do another.

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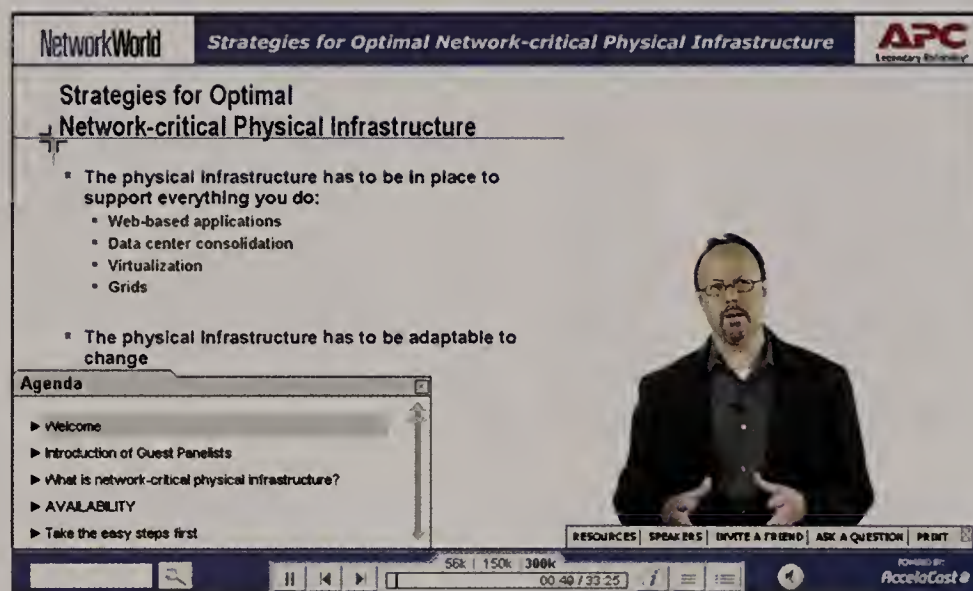
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how does it work?

Ethnographic research generally follows four main steps:

1 First, the ethnographer does a sweeping survey of all available published material on the subject in question. If the subject is how long people spend cooking dinner, for example, the researcher searches the widest possible range of material for any previously done research. Even with the most obscure topic, something has likely been written about it.

2 The researcher (occasionally joined by the client) then goes out to observe the target customer in as many contexts as possible. The key here is to watch customer behavior in a wide variety of natural settings. The researcher may take a participatory role, offering to help the subject cook dinner at her house, for example. This stage could take days, weeks or months. The researcher records his observations in as much detail as possible.

3 The ethnographer examines the research, answering the questions initially posed by the client regarding the customer behavior and offering conclusions. It is critical that the client not direct the outcome of the research—it must be as open-ended as possible. The results are often surprising.

4 Based on the recommendations, a company might make changes to its product design or its marketing campaign. With the cooking example, a manufacturer might move the dials on its stovetop or decide to market a line of meals that can be prepared without using pots or pans. Once a company understands *why* people do what they do (as opposed to simply what they do), it can create products and campaigns that address any unmet needs.

—L.G.P.

close to the customer, inside their hearts and minds, not just their wallets," says Waters, who left Target in 2002 and is now president of her own trend consulting firm, RW Trend. "This kind of work gives you a better platform for an exciting marketing campaign."

The practice is taking hold in other companies, though oftentimes in an ad hoc fashion. In the spring of 2003, Thomson's RCA unit was nearing production of a portable consumer electronics device that integrated video,

mended several changes, including some user interface tweaks and lightening the device. Because the Lyra was so close to production, however, the product team had enough time to make only some of the user interface changes. "Changing code is easy. Changing industrial design is not easy. We didn't have enough time," says Johnston.

As it was, the interface tweaks alone resulted in an additional 2 percent in market share, Johnston estimates. For the other design problems

audio and photo recording and playback into a form factor slightly larger than a 3-by-5-inch index card. Since the device, eventually dubbed the Lyra Audio/Video Jukebox, was a completely new product type for RCA, and because only one competitive offering existed in the category, Gavin Johnston, program manager for worldwide user interface design and research for Thomson U.S., decided it was high time the company learned more about its target audience.

"We didn't want to assume that the only people who would use the [new device] were between 18 and 25," he says. So Johnston kicked off his own brand of field research. For several days, he and a colleague rode Chicago's El trains, observing passengers as they shuttled to their destinations.

To get a better sense of how commuters used portable devices—with a "device" being anything from a cell phone to the daily newspaper—Johnston interviewed riders about "what they were doing and how they were feeling." He and his partner watched commuters as they listened to their Walkmans, read their books, tapped on their laptop keyboards. Johnston also gave a prototype of the new RCA player to 12 potential users—some selected from the field work, others recruited by an agency—to play with for two weeks. He was curious to see how people would use the various features—playing music, for example, while viewing photos.

From the research, Johnston concluded that the video player not only had to be tough enough to stand up to everyday use, but it also had to *look* like it was tough enough. He recom-

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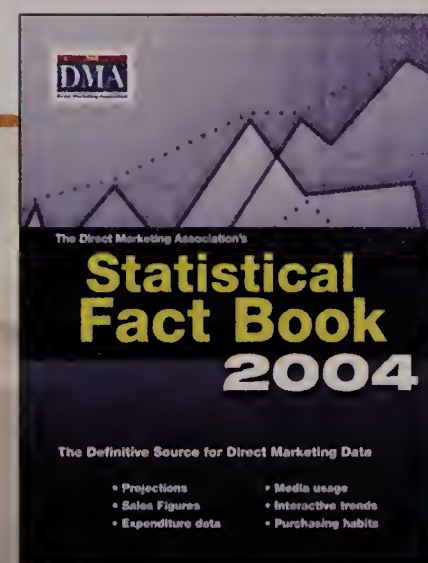
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AS WITH MOST CONSULTING WORK, the cost of ethnographic research is a bit of a moving target. Jump Associates, for example, charges anywhere from a few thousand dollars for a six- to eight-week "social research" project to several hundred thousand dollars for a multiyear relationship with a client. In addition to length, variable costs apply to a company's size, its industry and the scope of the project, according to Dev Patnaik, a principal with the research and strategy company.

The Sterling Group charges between \$1,250 and \$1,750 per subject for ethnographic research, says Simon Williams, president and CEO of the research consultancy. Under this structure, for example, the base cost for an in-depth study of 10 people's cooking habits would be in the area of \$15,000.

Pacific Ethnography, an anthropological research consultancy, charges according to several factors, including the number of "contexts" in which the company interacts with consumers, according to Ken Erickson, a principal and the company's founder. Possible contexts for the cooking example could be the kitchen, the grocery store or a restaurant.

By comparison, primary quantitative market research—using a third-party researcher to survey a large number of customers and prospects—often costs less per head but may be more expensive overall because of the size of the base being surveyed. Secondary quantitative market research (research reports available from a firm such as Gartner, for example) also varies in price, with typical corporate subscriptions ranging anywhere from \$10,000 to \$100,000 annually.

—L.G.P.

that couldn't be fixed before the release, Johnston anticipated—and Thomson received—numerous support calls and returns of the Lyra. "We knew there were problems with it, and we knew exactly what those problems were," says Johnston. He expects those problems to be fixed in the next release of the device, which is due early next year.

Johnston claims that the type of in-depth customer research he conducted provides an advantage that traditional market research cannot match. "The statistics that you have are the same statistics the guy across the street has," he contends. "The advantage comes when I have a little extra twist that you don't have."

Proof Positive

The challenge for ethnography proponents comes in justifying the research upfront.

"Much of what I do doesn't have a tangible cost benefit on the surface," says Johnston. "But if our recommendations [for improving the Lyra device] had been made, we would have saved millions [in support costs]."

Although most marketers are accustomed to justifying the cost of quantitative research—whether a big-ticket custom project or an annual subscription to a research house's reports—it's much harder to build an ROI case in advance around qualitative research. "We cannot guarantee what you will get out of a project," says Ethnographic Research's

Masuda. "But we can guarantee that we will answer the questions you bring to us at the beginning."

Richard Jew, product line marketing manager at Finisar, agrees it is fruitless to require proof of hard return prior to commencing a qualitative research effort. Having worked on several of these products during his high-tech career, Jew was a strong advocate for qualitative usability studies when he joined Finisar in late 2003. "You always discover things you didn't know before. I knew we would get something out of it," he says.

With Jew's support, Finisar's engineering group hired KDA Associates to learn more about how network managers would use Finisar's new NetWisdom network-monitoring tool. "We [contacted] people who had never used the product. We wanted to see how those with no background would approach it," says Jew.

KDA assembled a group of seven network managers, watching as they used the product for the first time and asking open-ended questions. This gave Jew and his team insight into the network managers' daily lives that they would not have received elsewhere. "I got a sense of their problems. They are on call 24 hours a day. They need to access the system from home," says Jew. "I got anecdotal reaction on how they compare our product to someone else's." The research confirmed the engineering team's concerns about pieces of the user interface that needed improvement. As a marketing manager, Jew gained insights into which aspects of the product to highlight in Finisar's next major campaign.

Beyond an initial product launch, ethnographic research provides the types of insights that tend to keep on giving. Target, for example, used the research from its back-to-school work to later create a "kitchen in a box" bundle, consisting of two mugs, plates, silverware and basic tools such as a can opener, to help students prepare and eat meals in their rooms.

Thomson's Johnston is a strong believer in the staying power of good field work. "People want to apply this to a single product and run," he says. "But it really applies to 20 products and marketing strategies you've never thought of." ●

Lauren Gibbons Paul is a freelance writer based in Waban, Mass. Send comments on this article to cmofeedback@cxo.com.

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At Tweeter, the emphasis is on building customer relationships, not setting the lowest possible price, says Chief Brand Officer Mark Richardson.

Z Comfort Zone

In search of the perfect price, strategists tune in on customer data. And that's where marketing enters the picture. **By David Wallace**

Back when computers were blinking, beeping, room-sized machines used mainly by NASA or James Bond's archenemies, airlines and hotels harnessed them to help manage prices. Armed with reams of customer data, programmers developed formulas that manipulated prices up and down, depending on existing sales, the likelihood of last-minute purchases and other variables (ranging from weather forecasts to competitors' prices). Airplane seats and hotel rooms were worthless if unused; so even selling them at a loss meant gaining some revenue. The practice was dubbed "yield management."

Price Optimization

Thirty years later, consumers have exacted revenge, using their own (much smaller) computers to tell companies precisely how much they will pay for a flight, a room, a car, a house or Elvis mementos. The Internet enabled them to compare prices instantly, shifting power once and perhaps forever from seller to buyer.

"In the past, the passing through of commodity price increases was more routinely accepted by customers. More and more, customers do not accept the direct pass-through of those increases," says Michael Marn, a partner with McKinsey & Co. and leader of its pricing practice.

Rising between these two opposing forces is a science that analyzes transactions and other customer data to more accurately explore the cause-and-effect relationship between prices and purchases. Using mathematical formulas and massive databases of sales records, companies can forecast their sales plans and test pricing and demand elasticity under various discount or package scenarios before trying them in the market. Layering in data from other customer interactions can help companies set prices, schedule markdowns and identify top-performing buyers with more sophistication than ever before.

"The benefit of analyzing consumer demand is you can make accurate projections for the first time at a store and SKU level," says Dan Fishback, CEO of DemandTec, a developer of what Fishback refers to as consumer demand management software.

Also known by terms such as price management, price optimization or revenue management, this emerging discipline has found a loyal following among retailers that have tapped into large repositories of point-of-sale data to refine their pricing models. Now, price management is beginning to spread into other product and service industries as companies seek the perfect price to maximize unit sales, price-per-sale and, ultimately, profits.

With the increased buzz around strategic pricing, however, comes the inevitable clutter: Price management is a complex world of historical pricing and profitability, of markdowns and discounts, leading to a lot of head-scratching over the right strategy and the right solutions to support it. Some companies use in-house expertise and homegrown applications to manage prices. Others—in growing numbers—are turning to third-party tools and consulting services for help.



Price cuts “can decimate an industry, because they’re easy to start and hard to stop.”

—AARON DAVIS, VP OF MARKETING, AMERICAN POWER CONVERSION

Roots in Retail

It's no surprise that department stores, fashion retailers and supermarkets were among the first to glom on to the price optimization services trend, armed as they already were with reams of historical data on pricing and purchasing behavior from their point-of-sale systems.

Popularity among these retailers made optimization a must-have system for executives in many other industries, says GartnerG2 retail analyst Hung LeHong. "The early adopters are done and the second wave is coming now," says LeHong.

The next-generation players include financial services companies, credit card issuers and other businesses in which unprofitable customers can be difficult to identify from giant databases. Most of these companies already have undergone significant back-office cost-cutting, leaving price optimization as the logical next move for improving costs.

LeHong cautions, however, that some retail price optimization techniques—particularly, the concept of seasonal markdowns—may not be transferable to other industries. In particular, markdowns on short lifecycle goods—such as fashion, consumer electronics and food—operate under different rules than other businesses whose products and services have longer shelf lives.

"Retailers have a different optimization problem because they often don't set the retail price," he adds. "And [markdowns] can be the end of a product lifecycle." —D.W.

simple cost-cutting to encompass more strategic initiatives, the emphasis shifts from a relatively straightforward accounting function to a suddenly murky area in which marketing, pricing, sales and IT all play potentially important parts.

"We're seeing more of an intersection between the marketing and pricing groups," says Sean Bisceglia, CEO of CPRi, a marketing staffing company that has placed its associates with pricing and marketing groups at several automakers and packaged goods companies. "It's not just about the lowest price anymore. People have really focused on the value proposition of their product. What is the target audience that you're going after for this new luxury car or that new soft drink willing to pay?"

For marketers, that is the \$64,000 question. (Or, in the case of the luxury car, the \$58,000 question.) What, exactly, is the target audience willing to pay?

Mix and Match

Pricing, always a key differentiator among competitors in any market, has become even more important in a world marked increasingly by globalization and commoditization. How critical? Marn cites McKinsey research that found a 1 percent change in price could have an impact as great as 11 percent—positive or negative—on a company's operating profits.

Pricing is more than simply cutting prices to move a product; it's about finding the right

price in order to move the most units and maximize margins. "It's not about raising or lowering prices," says Larry Warnock, marketing vice president of Zilliant, a price/revenue optimization software company that counts DHL among its clients. "Optimization is aligning your price with your customer's perceived value of what you deliver."

Such a strategy, done right, might even require setting prices that convince your most unprofitable customers to leave. That's because sales to value-destroying customers can kill a business, more slowly but just as fatally as having no customers at all.

"If all you're doing is chasing the price, you're still making the wrong decision," adds Leslie Haight, vice president of marketing for Acorn Systems, a software and consultancy. "Sometimes it means you have to walk away from business." And that's OK, she maintains, because it's *bad* business.

Haight cites the example of one Acorn client, a steel fabricator that was mulling what (on the surface) seemed like a winning RFP from a sales prospect. Although the contract promised to boost revenue tremendously, Acorn's analysis showed it would also wipe out the client's profitability. The company turned down the RFP and eventually negotiated a more equitable contract.

The transition of pricing from tactical lever to strategic weapon has convinced many senior



"Right now, you have a lot of good software out there, but also a lot of confusion. It gets expensive to do everything at once," says John Hogan, vice president and research director at Strategic Pricing Group, a pricing consultancy. "The market is still trying to find out the best way to go."

Adding to the confusion is the question of ownership. As price management moves beyond

The Pricing Players

Companies are throwing significant dollars at a host of technology vendors and consultants to help them work through the challenges of strategic pricing.

"The [price optimization] market is in the early adopter phase right now," says Laura Preslan, an analyst with AMR Research. "It won't get into full swing until 2006 when investment levels will jump dramatically."

And jump they will, if analyst projections hold true. AMR predicts that the market for price management software and services, which totaled \$111 million in revenue in 2003, will reach \$160 million in 2008.

Here's how the main categories in the price management market break down, and some of the key players (both technology vendors and consultants) for each.

PRICE OPTIMIZATION

Definition: Finding the ideal price for an item to maximize profit and unit sales.

Key players: Acorn Systems, DemandTec, i2 Technologies, Manugistics, Maxager Technology, Rapt, Zilliant

RETAIL PRICE MANAGEMENT

Definition: Analyzing products, sales, geographies and other inputs to find the most profitable markets and adjust allocations, prices and marketing accordingly.

Often includes markdown optimization, which consists of finding the discount price and dates on which to lower prices to drive unit sales and increase cross-selling opportunities.

Key players: ProfitLogic, Khimetrics, Retek, Vendavo

TRANSACTION MANAGEMENT

Definition: Purchase detail analysis combined with the development and implementation of policies to ensure that pricing strategies are supported in the field.

Key players: McKinsey & Co., Metreo, Strategic Pricing Group, Vendavo

REVENUE MANAGEMENT

Definition: Software and consulting services designed to improve the consistency of sales and quality of profits from growing customers.

Key players: Mercer Management Consulting, PROs Revenue Management, Simon-Kucher & Partners

STRATEGIC PRICE MANAGEMENT

Definition: Consulting and software services designed to integrate inputs from costing, competitive analysis and customer research into an effective pricing strategy to capture the maximum amount of differential value created for customers.

Key players: Accenture, McKinsey, Strategic Pricing Group

—D.W.

management teams to integrate their price-setting activities with market and customer segmentation efforts, says Eric Mitchell, founder of the Professional Pricing Society, whose membership has grown from 600 to nearly 2,000 in the past three years.

"We're a mirror of the fact that large companies have moved pricing from an administrative function to a strategic role," says Mitchell, a former pricing manager at Xerox and Ford. A 2004 survey of Professional Pricing Society members sup-

ports Mitchell's claims: Nearly one in five price managers said they report to senior management, nearly double from a 2002 survey. Of those price managers, 41 percent reported to a marketing executive, 18 percent to a finance manager and about 10 percent to a sales executive.

"These can't be treated as IT projects," says Michael Stanek, CFO at Northern Group Retail, a Toronto-based fashion chain. "They need to be a corporate initiative. And to get the full organizational benefit, you have to have a lot of

team members."

Marketing's role often is to lend perspectives on customer behavior that can be applied not just to cutting prices, but quite possibly to raising them as well. By adding customer demographic or psychographic data to existing pricing formulas, a marketing department might determine that the merchandising group has underpriced a new product. Quantifying the buzz around the new product—a factor that would not make it into a traditional price-crunching algorithm—can lead a company to charge a premium for it.

At American Power Conversion (APC), several teams work in tandem to set optimal pricing for the company's power-protection devices. "Typically, we have the product side set the recommended street price in a given market, and the local sales and marketing teams run the quote process," says Aaron Davis, the company's vice president of marketing. "It allows for a nice balance."

The local teams have much leeway to use channel incentives, end-user promotions and other creative ways to stimulate demand for APC's products, says Davis. The finance team keeps them honest by performing quarterly audits and reporting actual margins versus targets—and any deviations from expectations.

Avoiding the Low-Price Death Spiral

Working customer value into the pricing equation has enabled companies such as Tweeter Home Entertainment Group to opt out of low-price warfare with big-box retailers.

"All the Sunday circulars do is encourage price comparisons," says Mark Richardson, chief brand officer for the consumer electronics chain. "In that game, it's the biggest guy who wins because of whoever has clout on low-end items. It's not a way to build customer relationships and loyalty."

Tweeter has shifted its marketing message to emphasize lifestyle over low prices, and it uses its purchase data as part of a broad strategy to create customer relationships that extend from sales to delivery, installation and periodic tune-ups. It negotiates with manufacturers for unique brands or combinations of items that distinguish its inventory from that of the big-box retailers.

The strategy has helped Tweeter keep its pricing above the cutthroat levels of Best Buy, Circuit City and similar chains. It does not, how-

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“Large companies have moved pricing from an administrative function to a strategic role.”

—ERIC MITCHELL, FOUNDER, PROFESSIONAL PRICING SOCIETY

ever, avoid pricing as a competitive tool altogether. Store managers have the latitude to adjust prices for particular bundles. And since 1993, Tweeter has backed up its products with an Automatic Price Protection plan—under which Tweeter researchers will scan competitive prices, and if they find a lower price within 30 days of a purchase, Tweeter will automatically refund the difference to the customer.

By understanding who buys what, and why they buy it, companies are discovering that they can set more competitive prices on items that matter to specific consumer segments.

DemandTec's consumer demand management software, for example, can help companies adjust prices, discounts, markdowns and promotions more closely by calculating forecasts of sales, profits and volume details at a granular level. By collecting purchase data and comparing it against various what-if scenarios, companies can identify the impact of price changes at specific stores, and even for specific products within those stores, says Fishback.

These forecasts will help marketing executives more effectively target their promotional investments to the locations and the products that are most likely to drive sales, he adds.

Take the example of a retail chain that used DemandTec software to test a new pricing strategy for baby products. Price competition for baby formula and diapers was fierce, yet the category was among the company's most profitable. Using DemandTec's forecasting tools, company executives realized that an across-the-board price cut of all baby products would not

stimulate sales throughout its drugstores.

Instead, the forecast showed that a price cut only on baby formula—a low-margin, low-volume product for the chain—could positively affect sales of other baby items. The strategy worked: Unit sales of formula increased by 14 percent, while unit sales of disposable diapers grew by 10 percent—more than enough to offset the extra margins lost on formula.

Discounts and markdowns are perhaps the most complex elements of pricing to manage efficiently. While new product launches generally are backed with voluminous research, price reductions on existing products “tend to be more emotional,” says APC's Davis. “Companies see reductions as a defensive maneuver. That [tactic] can decimate an industry, because they're easy to start and hard to stop.”

APC, as a leader in the power-protection market, is all too aware of rivals' attempts to steal market share by igniting price wars. The company has tried to remain above the fray, using extensive modeling and data analysis tools—along with regular surveys of buyers and channel partners, competitive research and staff feedback—to keep its prices in line.

“Typically, we look systematically at the manufacturing process and at passing savings and volume efficiencies to the market,” Davis says. “Obviously, the higher your share, the greater likelihood that a price cut will hurt you.

“If you drop prices on the lower end, you might take share from a competitor, but you may pull the price down on your whole family of products,” he adds.

APC so far has managed its pricing internally, using a mix of Cognos and Oracle applications, along with custom databases that integrate information with data flows purchased from third parties to develop trend analyses around sales, pricing elasticity and so forth. An in-house analysis team runs ad hoc reports and analysis using whatever tools are appropriate.

Many companies still manage their pricing with a similar mix of ad hoc reporting and gut feel. Many, understandably, are wary of another big-bang technology investment. They prefer to steer clear of any technology vendor or service provider that promises to solve a longstanding problem such as pricing, citing the dubious returns many companies received on their hefty investments in CRM and ERP systems.

At the same time, however, many are frustrated with their current pricing practices and know they need to do more. “Most of our clients come to us after trying to do this on their own—maybe with Excel or a third-party application—and finding that they hit a brick wall, or it's too hard to manage,” says Acorn's Haight.

The beauty of investing in price optimization software and services, proponents argue, is the clear-cut ROI. Executives will know quickly whether a price cut is working.

“The return on investment is absolutely concrete,” says Zilliant's Warnock. “Within six months, you can see if gross margins are better than when you started.” ●

David Wallace is a freelance writer based in Boston. Send comments to cmofeedback@cxo.com.

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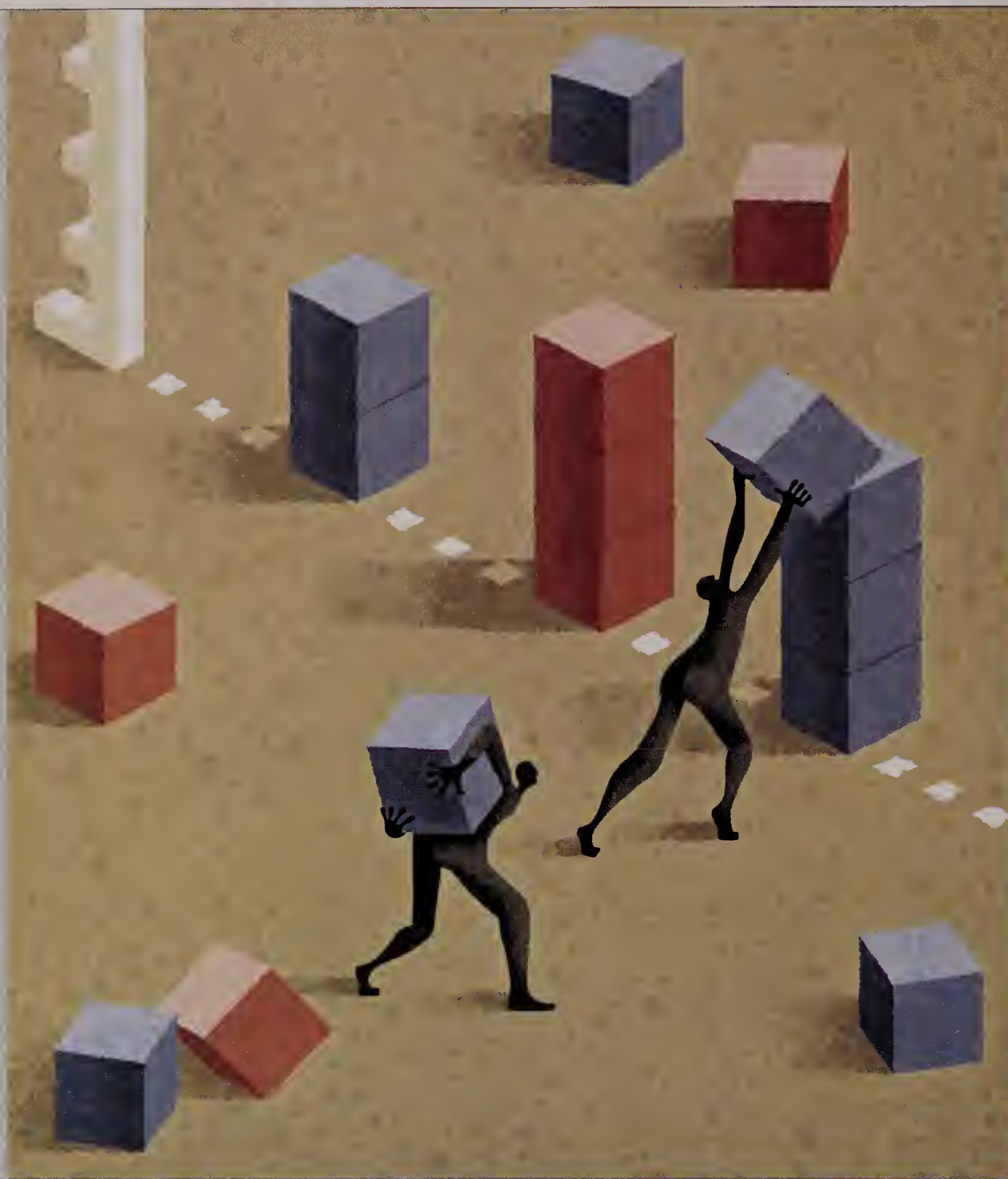
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Data Blockers

Trouble developing consistent metrics?
Try overcoming these three main barriers.

BY RICH VANCIL

MARKETERS FACE THREE MAJOR OBSTACLES in developing consistent metrics for their activities and performance. These interrelated barriers—involving process and workflow, infrastructure and communication issues—often form a perfect storm that hinders the overall development of standardized metrics.

Process or workflow problems impede the development and deployment of effective information technologies, the lack of which prevents the production of standardized metrics that provide a common language for internal communication. These barriers stymie marketers in their efforts to manage some of the most fundamental elements of their departments: budgeting, planning, reporting on results and renewing the cycle based on repeated successes.

Process and Workflow

The first and largest hurdle is process and workflow—or in marketing's case, the lack thereof. Marketing is one of the few key functions in any business that does not enjoy the structure and rhythm of frequently repeated business processes. Financial processes, such as closing the books every month, are highly structured and supported by robust information systems that consume and generate standard metrics for performance reporting and for communication. HR processes, such as opening a job requisition and approving a new hire, are often well-structured in their workflow and supported by information technology. Operational processes for order entry and shipping are all done with consistent repetition, day in and day out.

Most of these key business functions, because they are highly structured and frequently repeated, provide a steady stream of clearly defined metrics. For example, the finance function produces metrics such as revenue, COGS, SG&A, profit and the like—all of which are tightly defined and open to little or no interpretation. The reason the management dialogue between the CFO and her internal or external associates works so well is that all those tightly defined metrics serve as a common language that is understood and shared by both parties in the conversation. Imagine if your CFO had to provide a glossary of terms every time she had an earnings call with Wall Street!

In contrast to these structured business processes, marketing processes are often far more discretionary and free-form, and in many cases, are never repeated in the exact same way. These critical but highly unstructured marketing processes include, just to name a few:

- Requirements gathering from customers
- Competitive assessment
- Communication with product development
- Campaign planning
- Product launches
- Communications events involving multiple outside service providers

When the CMO tries to engage in the same crisp and efficient conversation that his CFO colleague has enjoyed, that conversation often bogs down quickly in a morass

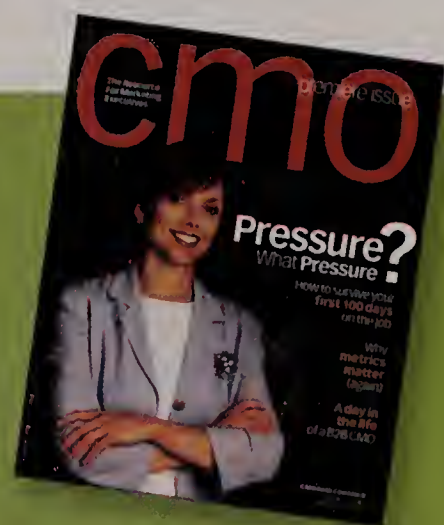
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uncommon denominators

of definitions and interpretations. The discussion is held up by questions such as, "What do you mean when you say *lead generation*?" and "How do you define *prospect* in this campaign budget?"

Ideally, the CMO would like to communicate his process "outputs" in the same clear and defined manner as does the CFO. But for the marketer, those outputs are somewhat vague concepts such as awareness, exposure, brand equity, prospects and, of course, leads. All of them are up for interpretation. In a recent IDC survey, marketers had 27 ways to define *leads*. Imagine if the CFO had 27 ways to define *profits*.

Infrastructure

The second problem area is infrastructure, which comprises both the marketing staff that produces the work and the supporting information technologies (or, once again, the lack thereof) that the staff uses.

Because of the vagaries of marketing processes, it is very difficult to develop software to track and capture the marketing workflows that yield consistent and tightly defined metrics. There is a negative cycle at

Without applications that capture the information from the marketing processes, all of the workflow knowledge is typically stored inside someone's head—or sometimes (at best) in Excel, Outlook or some other desktop application as a series of notes, contacts, spreadsheets and the like. And all of this knowledge—the finer points of the production schedule, the right agency for a required creative element, even a basic outline of the company's marketing programs and tactics—can vanish with a departing employee.

The opportunity to avoid this type of "marketing memory loss" is to effectively capture significant marketing efforts so that the company can continue to execute—and report—on successful programs in a seamless fashion.

Addressing this opportunity requires more effective information technologies. CMOs should strongly consider implementing MRM, enterprise marketing management (EMM) or similar marketing automation technologies. Yes, these are still largely early-stage applications. But no technology will flourish unless it has a willing user base

many more. But you don't need to start at the endgame. As with most software applications, you will probably find consistent utility and productivity, at least at the beginning, from less than 20 percent of the available features.

Management Communication

The third main barrier to successful marketing metrics efforts is management communication (not to be confused with marketing communication). We touched on this issue earlier when discussing the need to develop a common language for your metrics that everyone can understand. With the acknowledged difficulties of establishing consistent metrics, marketers clearly need to be selective in what they track and what they communicate to others.

In this endeavor, less is more. Select just a few metrics that represent the more structured and repeatable elements of the marketing process; drive these processes into and out of a marketing automation platform; and develop consistent methods for sharing, reporting on and communicating those metrics.



In a recent IDC survey, marketers had
27 ways to define *leads*.
Imagine if **the CFO had**
27 ways to define *profits*.

work here: Marketers don't have good applications for automating their processes, but software vendors have difficulty developing the applications because the processes aren't highly structured and clearly defined.

This is reflected in the market size and adoption rate for marketing automation technologies. Applications that automate the managerial functions of marketing (referred to as marketing resource management, or MRM) account for less than \$100 million of the \$1.5 billion total for marketing automation in 2003—which itself is just a fragment of the total \$85 billion applications software market.

(demanding yet patient) to work through the usage and feedback loops with vendors to improve the applications. In the development and adoption curve, marketing applications are probably where financial applications were five to 10 years ago. They will improve. And they need your help to get there. The early adopters will also be the early beneficiaries.

From the outset, these marketing automation technologies can be complex and somewhat daunting. Modules might include functionality for financial management, project management, campaign management, collaboration, marketing dashboards and

Success in this effort will come when others outside of the marketing area (your colleagues in sales and customer service, or even your external agencies) begin to pick up on the language and use it as part of the management dialogue—just as your CFO does when she engages in her quarterly earnings calls with Wall Street. ●

Rich Vancil is the research vice president for IDC's CMO Advisory, a market-intelligence service providing analysis and insights on effective marketing practices to senior executives across the IT vendor community. Send comments on this column to cmofeedback@cxo.com.

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No Guts, No Glory

The marketing superheroes among us aren't willing to leave their decision making to some focus group or random sampling

BY ANONYMOUS

MARKETERS ARE COWARDS, PLAIN AND SIMPLE. If you don't believe me, just look at the lengths we go to in order to avoid any kind of risk. We practice obviously biased research techniques, and we're willing to push ahead with barely half-baked ideas.

As a result of our failures, we learn over time to distrust our instincts, instead turning to outside agencies and consumer panels to tell us what to think. And somehow—somehow—we manage to get away with it. It is a wonder our security badges still work when we come into the office each morning.

It's not as if we're even being asked to perform outrageously heroic deeds. I mean, beyond being a CMO, I'm also a consumer. My friends and family are consumers. And my employees are

consumers. If I wanted some quick feedback, heck, I could simply convene a discussion with my assistant, call on some colleagues, even nab a prototype or two from R&D and exchange pizza for ideas. And yet, I—and most marketers—habitually fail to do even that. Why? Because we have lost faith in ourselves. But it doesn't have to be that way. Honest. We can do things differently.

Start with focus groups. We clearly need to know if people like our product. So why do we run focus groups so close to the end of the product development cycle that we can't incorporate any of the findings into our launch? And why do we do it so early in the process—getting the initial feedback we need to incorporate huge changes into the product, its format and the marketing messages—only to find we haven't budgeted the funds to run another focus group to test the improved version before the launch?

We've all been guilty of focus-group fantasy. I remember vividly an experience at a focus group for a health-food company I once worked for. The marketers casually chatted amongst themselves while waiting for the audience on the other side of the mirror to get warmed up. We already had a pretty good idea of who the customers were, what they wanted to hear, what the product format should be and what price they were willing to pay. Initially, we would hear the focus group attendees say things that didn't quite fit our model, but they were anecdotal, outlier opinions. What did we do with those opinions? We ignored them and waited for the confirmation that we were on the right track. And sure enough, as soon as someone uttered the words "health benefits," we knew we had a winner. It was hardly worth listening to the rest of the session. We had our answers, and off we went. Was it our fault when the product floundered upon launch? Maybe we were just ahead of the market.

Bottoms Up

During a recent layover in London's Heathrow Airport, I ran into a CFO from a global confectionery company. Our discussion was somewhat subdued until we got onto the subject of marketing spend. Suddenly the guy became a lot more animated. "I ask our marketing people all the time how we can get more value from the money we



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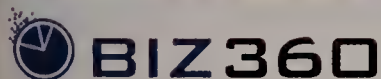
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spend," he told me. "Why can't I get a straight answer to my question?"

He was responsible for a European sales and marketing group, but he had no say over products and no voice in future product development. All he could control, he said, was how the products were presented to the market and how they were sold. To him, no area was too sacred when it came to understanding value for money spent. He had reduced operational costs across the business, but marketing was proving exceptionally difficult to disrupt. It wasn't that he was unprepared to spend the money there—he was. In fact, he was willing to spend more if need be. He just wanted evidence that marketing was on the right track. From his point of view, he was looking for a simple answer to a simple question.

His complaint is one that we all hear too often: In a function that is loath to provide ROI numbers, products tend to come to market with minimal logical thought. My all-time classic example of that is from Cottonelle, the toilet paper people. Some of you may remember their groundbreaking attempt to change the way the world cleaned its bottoms. They saw their Fresh Rollwipes toilet rolls as a stunning innovation, combining technology, manufacturing and unmet customer needs. And yet, it was an unbelievable marketing disaster.

As I was "Googling" the history of this miraculous product, I came across a telling press release, published the day of the product launch: "The company surveyed 2,000 consumers and found that 63 percent of them occasionally used something wet—a baby wipe or regular toilet paper sprinkled with water—after going to the toilet. About a quarter did it daily," it said.

Now, I don't know about you, but I don't know anyone who will admit to wiping his bottom with a baby wipe, let alone 63 percent. But perhaps I digress....

Continuing, the press release goes on: "Beginning with prototypes in 1997, company engineers developed a plastic dispenser that attaches to the toilet-roll holder in most bathrooms. The moistened toilet paper can be unrolled from the top of the device, leaving room below for a roll of regular toilet paper."

Really? You launched a product that in all likelihood will require a consumer to replace

all the toilet-roll holders in their house? Now, fortune has been good to me and I possess maybe four or five toilets in my various residences around the world. So can I expect to get used to the feeling of "moistness" and "freshness" only to discover, sadly, that this will not be available to me when I visit other bathrooms? Not to mention that they still expect me to buy normal toilet paper. So while some marketers were trying to simplify my life by squeezing my shampoo and conditioner into a single bottle, this seemed like a giant step backwards for humankind.



Techniques that are used to predict sales—and success—may work for **a new flavor of cake mix**, but they're inadequate when applied to **new-to-market concepts**.

Somewhere down the line, we have to hold the marketing function responsible for debacles such as this. Someone, somewhere, designed the 2,000-person consumer survey and skewed the results to come up with a "go" decision for its adult baby-wipes. One can almost imagine the poor survey respondents being bullied into agreeing with the pollsters. "Well, yes, sometimes I might...you know... treat myself to...a wipe...." (OK, I won't go there, but you get the point). And someone really should have raised the issue that half of the population is male and therefore unlikely to use the product under almost any circumstance.

Profiles in Courage

Part of the problem with our weakling marketing techniques lies in the difference between trying to market incremental product improvements and introducing completely new, breakthrough concepts. The techniques we use to accurately predict sales—and predict success—may work for a new flavor of cake mix, but the same methods are hopelessly inadequate when applied to new-to-market or new-to-world concepts. And vice versa. Worse, they actually mislead us into thinking we are on track, only to throw us a curveball when the product hits the market.

We have to learn to think differently about how we use our resources. I have great admiration for a colleague in a well-known packaging company whose competitors were investing in massive ethnographic studies, an expensive way of collecting anecdotal experiences from people who are willing to be followed around for a day by strangers. This CMO looked at the world differently. He started by searching for waste in his marketing budget and stumbled across a line item that seemed to increase every year—trade shows. Upon finding minimal tangible bene-

fits from them, he pulled his company out of most trade shows and reinvested the money elsewhere. Then he rethought the dynamics of his industry. Consumer product companies rely more and more on their suppliers for innovative consumer concepts. If he could find a way of embedding his company's offerings into new products at an early stage, he could lock in sales. The result was an "Innovation Center," a multimillion-dollar facility that included creative assistance, graphic designers, access to market research, a prototype production unit and, get this, a mock-up supermarket and warehouse. Talk about competitive advantage.

The great thing about marketing is the number of bright, creative minds working there. We are critical to the success of almost all organizations, and we have a responsibility to help our companies and the customers we serve. So, please, switch on your brains and beef up your courage when you come into work. Add an extra shot to your Starbucks. Buy a Westin Heavenly Bed and get some sleep. Whatever it takes. Just step up. Be courageous. And remember: Getting ahead almost always means taking risks. ●

This was written by a real CMO. If you'd like to reply or be an anonymous contributor to CMO's Insider column, contact us at insider@cxo.com.

"How do we make pro bono work
as integrated into the marketing profession
as it is in the legal profession?"

Aaron Hurst, Founder

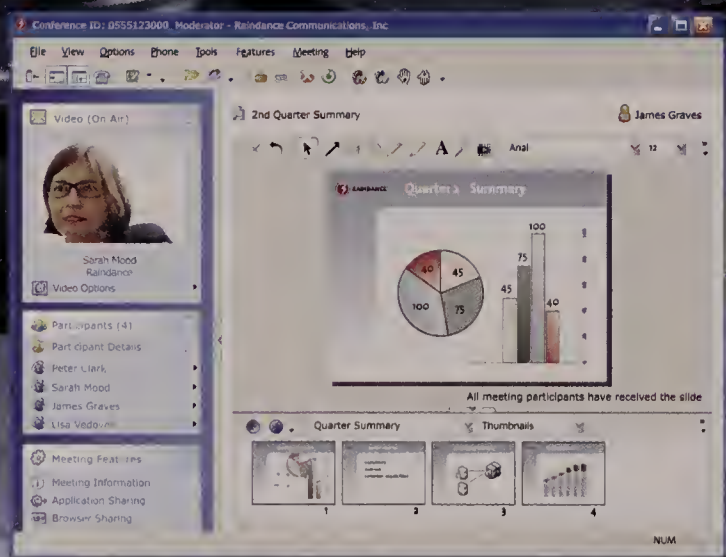
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Best of Friends

New on-demand applications help bridge the communications gap between marketing and sales

ON-DEMAND CRM IS IN DEMAND, and technology vendors are hawking a variety of hosted CRM solutions. One area of focus: the often tenuous interactions between marketing and sales. Hosted applications from tech providers such as Savo Group and RightNow promise to increase the love between the two groups by improving the flow of information that turns leads into sales.

Savo Group's Sales Asset Manager (SAM) is a hosted solution that enables companies to automate the management and delivery of any type of asset used for chasing down customers, including presentations, proposals, documents, brochures, e-mail and competitive intelligence. The sharing of timely and useful information has been a historic pain point between marketing and sales.

"Marketing departments understand they have to have multiple messages for multiple audiences," says Sheryl Kingstone, CRM program manager at Yankee Group. "But they never had a cost-effective way of delivering those messages, so they just didn't bother."

"With technology today, you don't have to create 10 different brochures with 10 different messages," adds Kingstone. "You can create unique messages and deliver them in real-time so the salespeople can pick and choose the messages they want."

At LaSalle Bank, relationship managers in the commercial banking group use SAM to send up-to-date versions of the marketing team's "e-brochures" to clients and prospects and create customized presentations for sales proposals, among other activities.

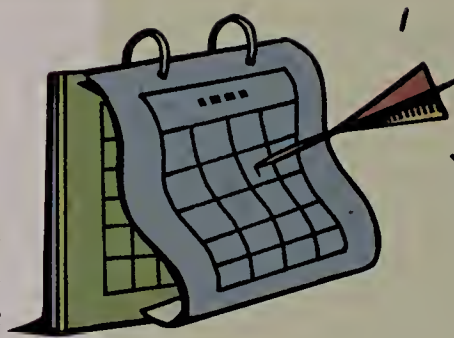


"It lets them do immediate follow-up," says Mark Nystuen, LaSalle's executive vice president and CMO. "If they talk to a client, they can go into SAM, find something relevant to the conversation and send it out immediately."

Savo charges between \$10,000 and \$50,000 for the initial setup of SAM, which includes loading the content and developing the interface, plus \$500-\$750 per user per year for the hosted service, depending on the number of users.

Continued on Page 64

CRM Continued from Page 63



The Wonderful Thing About Triggers

That's not cheap, but it's much less than the up-front investment often required for traditional CRM systems. And the return is clear for some clients: Independent analysis by Nucleus Research, for example, determined that SAM customer AmerisourceBergen received a 140 percent average annual ROI and a payback of nine months with SAM.

John Aiello, Savo's managing director, believes SAM also offers an equally important, though less tangible, benefit: an improved working relationship between traditional adversaries. "Once a salesperson feels the marketing team understands his customers better," Aiello says, "the alignment between sales and marketing becomes much stronger."

Joining Savo in the marketing/sales mix is RightNow, which has added a sales automation component to the new release of its CRM application suite. The RightNow sales module joins the suite's existing service and marketing applications to provide a complete campaign management platform, says Greg Gianforte, the company's CEO.

"One of the challenges in marketing is justifying your existence: I've spent all this money on promotions and generated all these leads, but what happened to them? The sales automation module will let marketing teams track precisely what sales did with those leads," says Gianforte.

RightNow offers both hosted and traditional options for its CRM suite, although Gianforte says 90 percent of new customers are opting for the on-demand option.

"The on-demand delivery model is inherently a better model," he says. "It eliminates the cost, aggravation and delays of traditional software deployment, particularly for marketing organizations that typically don't have the deep technical skills of other departments."

—Rob O'Regan

Event-driven marketing can be a great technique for strengthening customer relationships through personalized communications. Here are some triggers you should consider when creating an event-driven marketing campaign.

SPECIAL DAY FOR YOUR CUSTOMER:

"Happy birthday/anniversary."

SPECIAL DAY FOR THEIR COMPANY: "Congratulations on your anniversary/acquisition/product announcement."

CUSTOMER'S LAST TRANSACTION:

"Thanks for buying our product/staying with us."

A MISTAKE: "We're sorry for the inconvenience."

LAPSE SINCE LAST PURCHASE: "Is everything all right?"

NEW RELATIONSHIP: "Welcome to the family."

GATHERING INFORMATION: "Why did you buy?" or "Why did you leave without buying?"

AFTER AN EVENT: "Thanks for coming to our show."

REQUESTING INPUT: "We'd like you to test this new product."

SOURCE: PARTNERS & SIMONS

roInsights

"We can spend \$200 million on marketing campaigns, but if guests aren't greeted by a friendly bellman or they don't have certain amenities in their rooms, they won't be happy."

—CHRIS FLATT, VP of hotel sales and marketing, Wynn Las Vegas

2005 Marketing Budget



BRING MORE HARD FACTS TO THE TABLE

There's plenty of talk about getting more "data-driven" in the marketing department. What are you doing to bring more hard facts to the table? Do you know how much your competitors are investing in marketing? Is your marketing-mix best tuned to meet your objectives? Is your marketing staff operating as efficiently as possible? IDC can help. The CMO Advisory Service provides unique and hard-to-obtain analysis on the tough questions of marketing resource management, investment, marketing-mix allocations, and organizational models.

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15 of the top 20 IT vendors are using the CMO Advisory to guide them with their planning. James Richardson, CMO of Cisco is a power user:

"Cisco is making significant marketing planning and operational decisions based on the analysis provided by the IDC CMO Advisory Service"

— James Richardson,
Sr. Vice President
and CMO, Cisco

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Gridiron vs. Diamonds: The Battle for the National Pastime

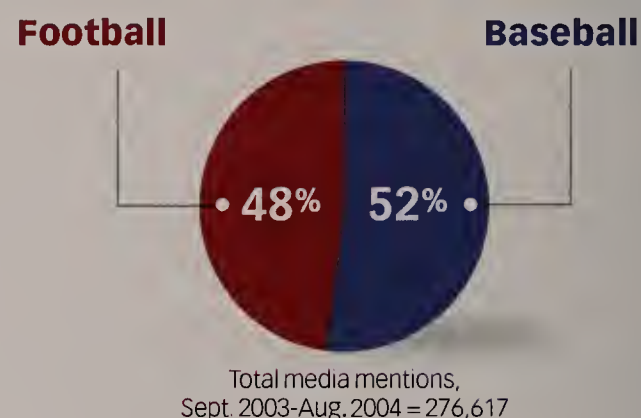
CONVENTIONAL WISDOM (NOT TO MENTION SEVERAL RECENT POLLS) suggests that football has replaced baseball as America's sport of choice, by a wide margin. Why else would you pay \$2 million-plus for a 30-second Super Bowl ad? TV ratings don't lie. Or do they?

To confirm what everyone seems to assume as fact, we asked media metrics company Cymfony to analyze media mentions (print, Web and news wires) of Major League Baseball and the National Football League. The results surprised us: Baseball and football are in a dead heat, coveragewise, during both the regular season and their respective championships.

This leads us to two possible conclusions: Either you're overpaying for those Super Bowl spots, or the print media is way out of touch with its sports fans.

:: **Football vs. Baseball** (Media Coverage)

Coverage of the two sports is almost symmetrical over the course of a year. Stories about football begin a steady rise in the summer months, peak in November and decrease dramatically post-Super Bowl—at which time baseball coverage picks up, peaking in mid-summer and bottoming out after the Fall Classic. In terms of overall media share over a 12-month span, the two sports are rather close, with baseball, surprisingly, enjoying a slight lead.

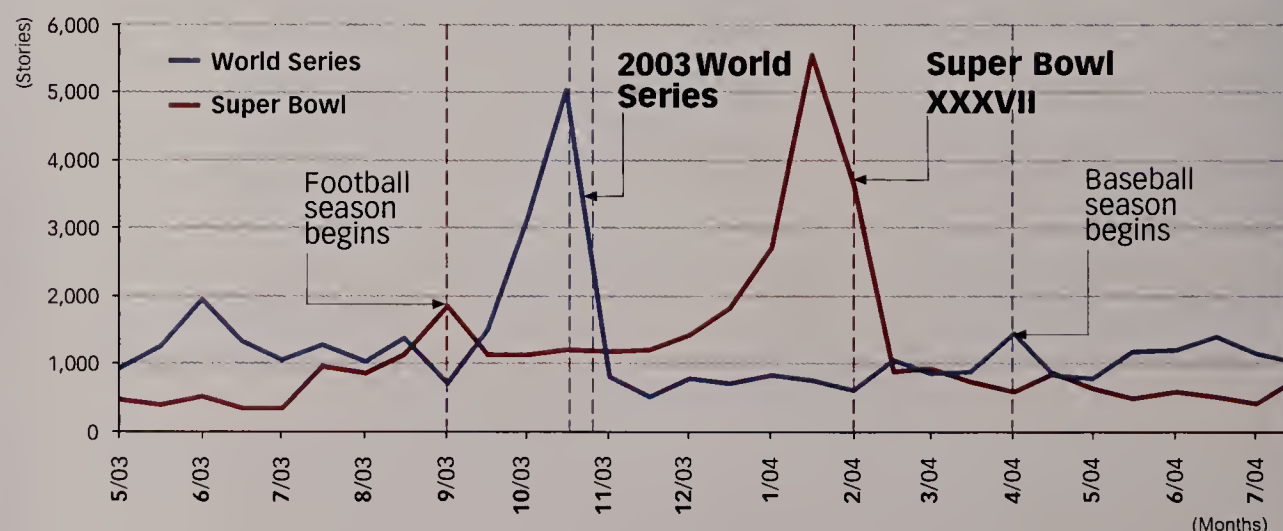


:: **Super Bowl vs. World Series**

Cymfony analysts also looked at the pinnacle of each sport's season—the NFL's Super Bowl and MLB's World Series. Media stories about the league's respective championships, examined here over a 15-month span, follow a remarkably similar trend. The Super Bowl itself generates slightly more buzz than the World Series (large spikes). But not as much as you might think.

Media Coverage of **Super Bowl** and **World Series**

Mentions of respective championships from wire services and major print media



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[**CMO** Snapshot]

Clent Richardson, Nortel Networks

AS THE NEW CHIEF MARKETING officer of scandal-plagued* Nortel Networks, Clent Richardson has some work ahead of him. Richardson, 43, was named to his new role in late September, just five months after joining Nortel as head of enterprise global marketing. Prior to Nortel, he held senior marketing positions at T-Mobile UK and Apple. On the day of his appointment, Richardson spoke with CMO Editor in Chief Rob O'Regan about his plans to inject some marketing juice into the struggling telecom equipment maker.

CMO: Congratulations—I hope they're compensating you well.

Clent Richardson: Maybe you could whisper in my boss's ear.

Why did you take the job?

Nortel, in particular, and the industry more broadly, is at an inflection point. Nortel doesn't do marketing well. If I'm a world-class marketing guy, and the industry is going through a transformation, and you have a technology-driven company that wants to be marketing-led, that's a once-in-a-lifetime opportunity.

What are your top three priorities?

The first is to simplify what we say and how we say it. The second is to align around our vision and brand promise and make sure those are integrated in all the communications for all the communities we serve. Third, make sure we have the best

possible team that has the right internal sponsorship.

How would you describe your role?

Dare I say "chief evangelist"—to make sure marketing has the right voice at the table. My role has been elevated [to be] part of the senior executive strategy group, with absolute commitment by [CEO] Bill [Owens] and the board that marketing will have a voice in all major decisions in the company.

***How do you get the media to stop using "scandal-plagued" every time they mention Nortel?**

It's about focusing on what you do, not what you're going to do. That's how you earn credibility, not just in the capital markets, but also with your customers.

From an internal standpoint, do you need a marketing message that resonates with your employees? I imagine morale may not be too high right about now.

I'm not sure morale is bad, but I think there's always an opportunity for a bit of

euphoria and excitement. It's what I call empowerment. If we do it right, it could be transformative. Marrying what we say outside with what we say inside is something I think we've done pretty well, but we have an opportunity to close that gap even further.

Scandals aside, why has Nortel's turnaround stalled?

I'm not convinced it has stalled. We have some tremendous momentum. Customer confidence seems quite high and robust. Everybody is tired of reading all the restatement stuff. Once we're able to get that behind us, you'll find the news we'd like to share is pretty remarkable.

The time is not quite right to begin talking about it?

I want to make sure we have a platform to get exponential mileage out of the stuff we talk about. We won't have that opportunity until the restatement issues are behind us. We're going to stay focused on getting the restatements done and then we'll get out of crisis-communication mode and get back into using the craft and art of marketing to our advantage.

What's your time frame for that?

We're hoping by the end of October or early November. The second we see that cloud pass and the sun come out, we're going to be dancing in the street and talking about it.

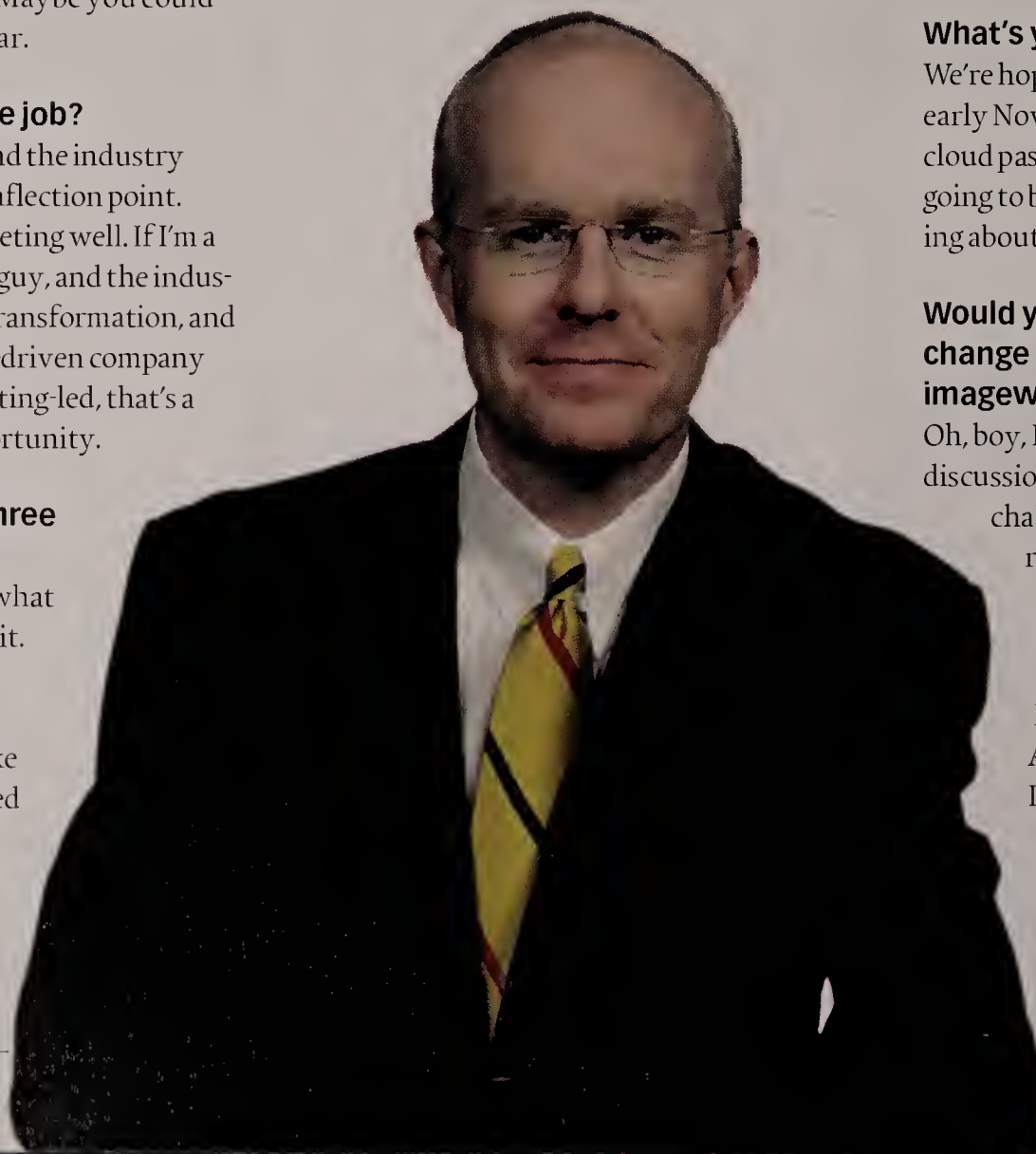
Would you ever consider a name change if things don't turn around, imagewise?

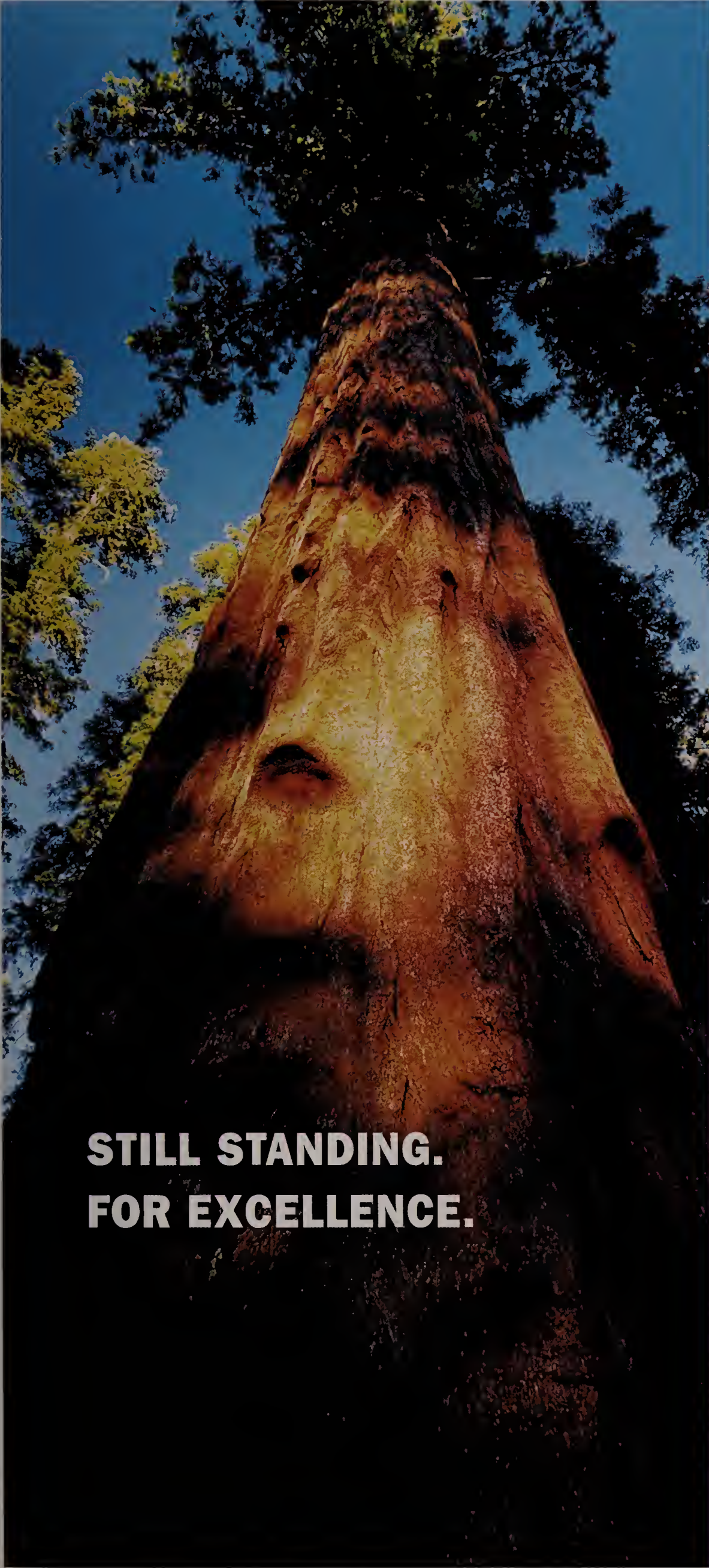
Oh, boy, I think we're nowhere near that discussion. Nortel has such equity; our challenge is to polish the brand rather than to change it.

Speaking of names, tell me about "Clent."

My mom couldn't spell (laughs). Actually, it's an old family name. I'm told "Clenton" is a Welsh spelling of "Clinton."

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492 Old Connecticut Path, P.O. Box 9208, Framingham, MA 01701-9208, 508 872-0080.

Postal Information

CMO (ISSN 1550-6940) is published monthly by CXO Media Inc., 492 Old Connecticut Path, P.O. Box 9208, Framingham, MA 01701-9208. Presorted Standard Postage paid at Framingham, MA 01701, and at additional mailing offices.

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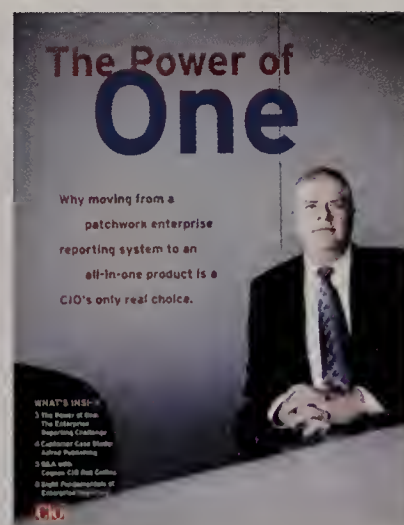
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what is

RSS?

BY CHRIS LINDQUIST

Really Simple Syndication lets you get the word out to techies, but at the price of some control

NEWZCRAWLER, NEWSGATOR, AWASU, NEWSISFREE—these (and many others) are the tools of the serious information junkie. Technically called “feed readers” or “aggregators,” they let anyone with a need to know pluck headlines from thousands of RSS-enabled websites and blogs on a moment-by-moment basis.

Really Simple Syndication is an XML-based data format (think of it as a template for online information) that makes it easy for Internet users to quickly extract headlines from RSS-enabled sites and information providers and view them in RSS readers.

Is RSS different from a Web browser?

RSS feed readers provide an alternative interface to a Web browser for viewing Internet content. The readers range from complex software with loads of filters that help heavy users monitor hundreds of feeds, to Web-based consolidation sites that provide personalized views of favorite sites and blogs, to readers built directly into other applications such as Mozilla's Firefox browser and Thunderbird e-mail applications. Often the feeds contain little more than a quick summary of an article and a link back to the original source. The key is convenience. Rather than trying to monitor dozens of sites by visiting their home pages every day, RSS users can let their feed readers do the surfing for them, checking for

new information at regular intervals (every hour or so). The headlines collect in a single screen, letting you quickly choose what to examine further without the distractions and sometimes horrible layouts of individual webpages.

What's the marketing hook?

Well, does the idea of millions of eager eyes with lots of spare time (and maybe some spare cash) viewing your ever-updated online information sound appealing? “RSS subscriptions allow the customer to get information when it becomes available, not when they think to ask for it,” says Harold Check, a noted RSS expert and former managing editor of Yahoo. “It not only fulfills the basic contract between company and customer (‘We want you to know what we have to offer’), but it entirely sidesteps the very negative experience of a customer asking for information and not getting it.”

What are the hot sites?

The most popular RSS feeds tend to be technology-oriented media outlets, such as Wired News and The

Register, plus techno-worship sites/blogs such as Slashdot.org, Moreover-moreover and Ars Technica.

Can we make our own site a feed?

Feeds dedicated to individual companies—even the likes of Microsoft and Oracle—don't rank in the top 50 most popular sites (at least according to recent totals from RSS consolidator Syndic8.com). And after the top 10 or so, the number of viewers drops off fast. So using RSS in conjunction with your own site to push new products probably isn't going to work. Worse, feed readers generally list simple headlines and summaries of stories. If your site depends on banner ads, for instance, a serious RSS effort might ultimately undermine any efforts to get more people viewing it. (Getting your product mentioned on one of the more popular RSS-feeding blogs or Web hangouts, such as Slashdot, however, will pretty much guarantee a flurry of visits to your site.)

That said, RSS can be an interesting alternative or adjunct to traditional newsgroups and user forums for providing customer support information. Heck, it might even make you look cutting edge. ●

Chris Lindquist is a technology editor at CMO's sister publication *CIO* magazine. E-mail your thoughts about RSS or suggestions for other topics to whatis@cxo.com.





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